

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 110007-EI

ENVIRONMENTAL COST RECOVERY  
CLAUSE.

\_\_\_\_\_ /

VOLUME 2

Pages 230 through 340

PROCEEDINGS:

HEARING

COMMISSIONERS  
PARTICIPATING:

CHAIRMAN ART GRAHAM  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER RONALD A. BRISÉ  
COMMISSIONER EDUARDO E. BALBIS  
COMMISSIONER JULIE I. BROWN

DATE:

Wednesday, November 2, 2011

TIME:

Commenced at 10:19 a.m.  
Concluded at 11:47 a.m.

REPORTED BY:

JANE FAUROT, RPR  
Official FPSC Reporter  
(850) 413-6732

APPEARANCES:

(As heretofore noted.)

DOCUMENT NUMBER - DATE

08121 NOV-3 =

FLORIDA PUBLIC SERVICE COMMISSION

FPSC-COMMISSION CLERK

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## I N D E X

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## OPENING STATEMENTS:

PAGE NO.

By Mr. Perko	233
By Mr. Rehwinkel	234
By Mr. Moyle	234
By Mr. White	237
By Mr. Perko	238

## WITNESSES

NAME:

PAGE NO.

## WILL GARRETT

Direct Examination by Mr. Perko	239
Prefiled Testimony Inserted	242
Cross Examination by Mr. Moyle	250
Cross Examination by Ms. Brown	263
Redirect Examination by Mr. Perko	265

## PATRICIA WEST

Direct Examination by Mr. Perko	266
Prefiled Testimony Inserted	269
Cross Examination by Mr. Moyle	294
Cross Examination by Ms. Brown	297

## THOMAS G. FOSTER

Direct Examination by Mr. Perko	299
Prefiled Testimony Inserted	304
Cross Examination by Mr. Moyle	324
Cross Examination by Ms. Brown	331

## EXHIBITS

NUMBER:		ID.	ADMTD.
16, 17			266
18 through 21			299
40	Revisions to August 26, 2011, Prefiled Testimony and Exhibits	301	337
41	(Late-filed) ECRC Factors Without Crystal River Replacement Power Costs	336	337
26-30			337
42			337

## P R O C E E D I N G S

1  
2 (Transcript follows in sequence from  
3 Volume 1.)

4 **CHAIRMAN GRAHAM:** And we need to take Docket  
5 110007 back off the table.

6 **MS. BROWN:** All right. Commissioner, as we  
7 left it, the Commission had made a bench decision on the  
8 proposed stipulations, and now we are entering into our  
9 hearing on PEF's Issue 10G. It's my understanding, and  
10 I hope the parties will correct me if I'm wrong, that  
11 Mr. Garrett was sworn in yesterday. I'm not certain Ms.  
12 West and Mr. Foster were. They were?

13 **MR. PERKO:** Yes, they were. I will confirm  
14 that.

15 **MS. BROWN:** All right. Well, then I guess we  
16 are at opening statements, five minutes per party.

17 **CHAIRMAN GRAHAM:** The same thing again with  
18 Progress. I'll give you seven minutes. You can use as  
19 much as you want up front and the remaining at the end.

20 **MR. PERKO:** Thank you, Mr. Chairman. Good  
21 morning, Commissioners. Gary Perko on behalf of  
22 Progress Energy.

23 Yesterday, Mr. Burnett explained in detail why  
24 it would be inappropriate to defer the costs, the  
25 replacement power costs associated with the Crystal



1 River 3 outage. Those same reasons apply equally to the  
2 emission allowance costs, the environmental costs  
3 associated with that replacement power.

4 I won't take up the Commission's time to  
5 reiterate those points, but would simply adopt them.  
6 But I would reserve whatever time I have remaining to  
7 address any specific comments relating to the  
8 environmental costs that the intervenors raise.

9 **CHAIRMAN GRAHAM:** Sounds good.

10 Intervenors, who wants to go first?

11 Mr. Rehwinkel.

12 **MR. REHWINKEL:** Thank you, Mr. Chairman.

13 With the recognition that opening statements  
14 by attorneys is not evidence, and the fact that you  
15 heard my opening in fuel yesterday, my remarks would  
16 apply with respect to the amounts that are at issue in  
17 this docket equally. So I would just commend my remarks  
18 from yesterday to you today for purposes of your  
19 consideration in this matter. Thank you.

20 **CHAIRMAN GRAHAM:** Thank you very much.

21 Mr. Moyle.

22 **MR. MOYLE:** I could regive the opening that I  
23 gave yesterday, but I think I will just refer to it and  
24 make the points that things have changed materially from  
25 where we were last year, that you do have a hearing

1 coming up where prudence can be decided. It's a better  
2 practice before making a decision about ratepayers'  
3 money in these difficult times to hear the evidence on  
4 the prudence, which will be heard in June, and then make  
5 a decision.

6 It's not like we're asking for a deferral  
7 indefinitely. We are simply asking that y'all hear the  
8 evidence and then make a decision. And I don't think  
9 given the situation with Progress financially that that  
10 is going to be overly problematic for them, so we would  
11 urge you to defer recovery of the environmental costs --  
12 not all of them, just the ones related to the Crystal  
13 River 3 outage.

14 And we are going to talk about those  
15 environmental costs with some of the witnesses and  
16 explore an issue you heard a little bit about in the 01  
17 docket, about these allowances for SOx and NOx, and how  
18 those be calculated, how they are booked, how did they  
19 get them in inventory, what cost did they pay for them.  
20 And this is an issue that to the extent that these  
21 allowances were provided at no basis, free under the  
22 requirements of an acid rain act, or some other reason  
23 and they got them for free, which they may or may not  
24 have, we will explore that. But if they got them for  
25 free and then they put them on their shelf and now they

1 are saying, okay, well, because of Crystal River 3 not  
2 running, we have had to take some of these allowances  
3 off our shelf and use them and we are charging you for  
4 them, we would take objection to that.

5 We would think that whatever the basis in  
6 those allowances is should be the costs that they  
7 recover. So if they testify and say, you know what,  
8 here is how much we paid for these disallowances. We  
9 paid a thousand dollars and we had to use an allowance.  
10 Notwithstanding the arguments we have on prudence, that  
11 you ought to match the thousand dollar cost up to what  
12 they paid for them, but to the extent that there is  
13 accounting jargon and maneuvering -- I don't mean to  
14 disparage accountants, but I don't have an accounting  
15 background. But it just doesn't comport or seem like a  
16 fair treatment to the extent that your cost basis in a  
17 certain product is zero, or ten dollars, but then you  
18 are ascribing a market value to it for the purposes of  
19 seeking recovery. You know, we're going to explore  
20 that.

21 The other thing we are going to explore is  
22 that there is a new federal program coming on, and  
23 Progress is saying, well, this new federal program is  
24 going to make some of these allowances worthless, but we  
25 are going to treat that as a regulatory asset. And that

1 works against the financial interest of the consumers,  
2 so we are going to have some testimony about that and  
3 get into some of the details of these NOx and SOx  
4 allowances, and the federal rules that are prompting  
5 that.

6 So I just wanted to kind of preview some of  
7 the questions that FIPUG will be asking to sort of tell  
8 you why we're asking the questions. Because to the  
9 extent they say all we are trying to get is the money we  
10 paid for this, and we wrote checks for it, we may not  
11 have that big of an issue. But to the extent that they  
12 didn't pay for them, or they got them pursuant to some  
13 decree from the government and there is no cost basis in  
14 it, and now they are looking to charge ratepayers for  
15 them, we will have an issue with that.

16 Thank you.

17 **CHAIRMAN GRAHAM:** Thank you, sir.

18 Yes, ma'am.

19 **MS. WHITE:** Good morning. I will not  
20 reiterate the things that I said yesterday, but I will  
21 say this morning that FEA does support the concerns that  
22 FIPUG has. And so we're interested to hear the  
23 questions to the answers (sic) that he will ask this  
24 morning.

25 And in the interest of time, I will not remind

1 you of why we are here, because I know that you know  
2 that very well. Thank you so much.

3 **CHAIRMAN GRAHAM:** Thank you.

4 **MR. PERKO:** Very briefly, Mr. Chairman, if I  
5 may address some of the comments from FIPUG. The  
6 evidence will establish that the costs of the emission  
7 allowances associated with replacement power as well as  
8 in general were expensed on an average cost basis  
9 consistent with generally accepted accounting principles  
10 as well as longstanding Commission practice. So there  
11 should not be any issue as to that.

12 To the extent that allowances were allocated  
13 by EPA, that is accounted for in the average cost basis.  
14 So I don't think there's any basis to -- or would it be  
15 appropriate to pick and choose which allowances go with  
16 a particular ton of NOx or SO2 emitted. That would  
17 simply be inappropriate and I think the evidence will  
18 demonstrate that.

19 As to the issue about the regulatory asset, I  
20 would point out that we have already stipulated that  
21 issue in 10E. The Commission has expressly found that  
22 Progress' NOx allowance procurement strategy was  
23 reasonable and prudent and established that regulatory  
24 asset in approving that stipulation without objection  
25 from FIPUG or any other intervenors. So I think it's

1 simply too late to raise that issue and would suggest  
2 that it would be inappropriate to do so.

3 Thank you.

4 **CHAIRMAN GRAHAM:** Thank you, sir.

5 All right. We haven't sworn in these  
6 witnesses yet, have we?

7 **MS. BROWN:** We have Garrett, West, and Foster,  
8 and I think that's the appropriate --

9 **CHAIRMAN GRAHAM:** Have these witnesses been  
10 sworn in? Were they sworn in yesterday?

11 **MR. PERKO:** Commissioner, it's my  
12 understanding that they were, and I can confirm that.

13 **CHAIRMAN GRAHAM:** Okay. Well, then let's call  
14 your first witness.

15 **MR. PERKO:** Thank you, Mr. Chairman. Progress  
16 Energy calls Mr. Will Garrett.

17 **WILL GARRETT**

18 was called as a witness on behalf of Progress Energy  
19 Florida, and having been duly sworn, testified as follows:

20 **DIRECT EXAMINATION**

21 **BY MR. PERKO:**

22 Q. Good morning, Mr. Garrett. Would you please  
23 introduce yourself to the Commission and provide your  
24 business address for the record?

25 A. Good morning, Commissioners.

1           My name is Will Garrett. My business address  
2 is 299 First Avenue North in St. Petersburg, Florida.  
3 The zip code is 33701.

4           Q. Mr. Garrett, who do you work for and what is  
5 your position?

6           A. Yes. I'm employed by Progress Energy Service  
7 Company as the Controller for Progress Energy Florida.

8           Q. Mr. Garrett, did you file prefiled testimony  
9 in this proceeding on April 1st, 2011?

10          A. Yes, I did.

11          Q. Do you have any changes to that testimony?

12          A. No, I do not.

13          Q. If I were to ask you the same questions in  
14 your prefiled testimony today, would your answers be the  
15 same?

16          A. Yes.

17          Q. Did you also file exhibits that have been  
18 marked on Staff's Comprehensive Exhibit List as Numbers  
19 16 and 17?

20          A. Yes.

21          Q. Do you have any changes to those exhibits?

22          A. No, I do not.

23           **MR. PERKO:** At this time, Mr. Chairman, we  
24 would move Mr. Garrett's testimony into evidence as well  
25 as Exhibits 16 and 17.

1                   **CHAIRMAN GRAHAM:** We will move his prefiled  
2 testimony into the record as though read. And Exhibits  
3 16 and 17, let's wait until after he gives his  
4 testimony.

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25



## 1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY OF

3 **WILL GARRETT**

4 ON BEHALF OF

5 PROGRESS ENERGY FLORIDA

6 DOCKET NO. 110007-EI

7 April 1, 2011

8

9 **Q. Please state your name and business address.**10 **A.** My name is Will Garrett. My business address is 299 First Avenue North, St.  
11 Petersburg, FL 33701.

12

13 **Q. By whom are you employed and in what capacity?**14 **A.** I am employed by Progress Energy Service Company, LLC as Controller of  
15 Progress Energy Florida (PEF).

16

17 **Q. What are your responsibilities in that position?**18 **A.** As legal entity Controller for PEF, I am responsible for all accounting matters that  
19 impact the reported financial results of this Progress Energy Corporation entity. I  
20 have direct management and oversight of the employees involved in PEF  
21 Regulatory Accounting, Property Plant and Materials Accounting, and PEF  
22 Financial Reporting and General Accounting.

1 **Q. Please describe your educational background and professional experience.**

2 **A.** I joined the company as Controller of PEF on November 7, 2005. My direct  
3 relevant experience includes over 2 years as the Corporate Controller for DPL, Inc.  
4 and its major subsidiary, Dayton Power and Light, headquartered in Dayton, Ohio.  
5 Prior to this position, I held a number of finance and accounting positions for 8  
6 years at Niagara Mohawk Power Corporation, Inc. (NMPC) in Syracuse, New  
7 York, including Executive Director of Financial Operations, Director of Finance  
8 and Assistant Controller. As the Director of Finance and Assistant Controller, my  
9 responsibilities included regulatory proceedings, rates, financial planning, and  
10 providing testimony on a variety of matters before the New York Public Service  
11 Commission. Prior to joining NMPC, I was a Senior Audit Manager at Price  
12 Waterhouse (PW) in upstate New York, with 10 years of direct experience with  
13 investor owned utilities and publicly traded companies. I am a graduate of the State  
14 University of New York in Binghamton, with a Bachelor of Science in Accounting  
15 and I am a Certified Public Accountant in the State of New York.

16

17 **Q. Have you previously filed testimony before this Commission in connection**  
18 **with Progress Energy Florida's Environmental Cost Recovery Clause**  
19 **(ECRC)?**

20 **A.** Yes.

21

1 **Q. What is the purpose of your testimony?**

2 **A.** The purpose of my testimony is to present for Commission review and approval,  
3 Progress Energy Florida's Actual True-up costs associated with Environmental  
4 Compliance activities for the period January 2010 through December 2010.

5  
6 **Q. Are you sponsoring any exhibits in support of your testimony?**

7 **A.** Yes. I am sponsoring Exhibit No. WG-1, which consists of nine forms and Exhibit  
8 No. WG-2, which provides details of five capital projects by site.

9  
10 Exhibit No. WG-1 consists of the following:

- 11 • Form 42-1A reflects the final true-up for the period January 2010 through  
12 December 2010;
- 13 • Form 42-2A reflects the final true-up calculation for the period;
- 14 • Form 42-3A reflects the calculation of the Interest Provision for the period;
- 15 • Form 42-4A reflects the calculation of variances between actual and  
16 estimated/actual costs for O&M activities;
- 17 • Form 42-5A presents a summary of actual monthly costs for the period of  
18 O&M activities;
- 19 • Form 42-6A reflects the calculation of variances between actual and  
20 estimated/actual costs for Capital Investment Projects;
- 21 • Form 42-7A presents a summary of actual monthly costs for the period for  
22 Capital Investment Projects;

- 1           • Form 42-8A, pages 1 through 15, consist of the calculation of depreciation  
2           expense, property tax expense, and return on capital investment for each  
3           project that is being recovered through the ECRC; and
- 4           • Form 42-9A presents PEF's capital structure and cost rates.

5

6           Exhibit No. WG-2 consists of detailed support for the following capital projects:

- 7           • Pipeline Integrity Management (Capital Program Detail ("CPD"), pages 1  
8           through 2);
- 9           • Above Ground Storage Tank Secondary Containment (CPD, pages 3  
10          through 8);
- 11          • Clean Air Interstate Rule ("CAIR") Combustion Turbines ("CTs")(CPD,  
12          pages 9 through 12);
- 13          • Clean Air Interstate Rule ("CAIR") (CPD, pages 13 through 20); and
- 14          • Thermal Discharge Permanent Cooling Tower (CPD, page 21);

15

16   **Q.    What is the source of the data that you will present by way of testimony or**  
17   **exhibits in this proceeding?**

18   **A.**    The actual data is taken from the books and records of PEF. The books and records  
19   are kept in the regular course of our business in accordance with generally accepted  
20   accounting principles and practices, and provisions of the Uniform System of  
21   Accounts as prescribed by Federal Energy Regulatory Commission (FERC) and any  
22   accounting rules and orders established by this Commission.

23

1 **Q. What is the final true-up amount for which PEF is requesting for the period**  
2 **January 2010 through December 2010?**

3 **A.** PEF is requesting approval of an over-recovery amount of \$40,552,348 for the  
4 calendar period ending December 31, 2010. This amount is shown on Form 42-1A,  
5 Line 1.

6

7 **Q. What is the net true-up amount PEF is requesting for the January 2010**  
8 **through December 2010 period which is to be applied in the calculation of the**  
9 **environmental cost recovery factors to be refunded/recovered in the next**  
10 **projection period?**

11 **A.** PEF has calculated and is requesting approval of an over-recovery amount of  
12 \$6,232,839 reflected on Line 3 of Form 42-1A, as the adjusted net true-up amount  
13 for the January 2010 through December 2010 period. This amount is the difference  
14 between the actual over-recovery amount of \$40,552,348 and the actual/estimated  
15 over-recovery of \$34,319,509, as approved in Order PSC-10-0683-FOF-EI, for the  
16 period of January 2010 through December 2010.

17

18 **Q. Are all costs listed in Forms 42-1A through 42-8A attributable to**  
19 **environmental compliance projects approved by the Commission?**

20 **A.** Yes, they are.

21

22

1    **Q.    How did actual O&M expenditures for January 2010 through December 2010**  
2           **compare with PEF's estimated/actual projections as presented in previous**  
3           **testimony and exhibits?**

4    **A.    Form 42-4A shows that total O&M project variance was \$2,610,105 or 5% lower**  
5           **than projected. Following are variance explanations for those O&M projects with**  
6           **significant variances. Individual project variances are provided on Form 42-4A.**

7

8                            **O&M Project Variances**

9           **1.    Substation Environmental Investigation, Remediation, and Pollution**

10                   **Prevention (Project No. 1):** The project expenditure variance was \$199,655 or  
11                   2% higher than projected. This variance is primarily attributable to higher  
12                   amounts of subsurface contamination encountered during remediation of sites.  
13                   This project is further discussed in Corey Zeigler's direct testimony.

14

15           **2.    Distribution System Environmental Investigation, Remediation, and**

16                   **Pollution Prevention (Project No. 2):** The project expenditure variance was  
17                   \$151,735 or 2% higher than projected. This increase is attributed to PEF  
18                   remediating a higher number of sites than reprojected in the 2010  
19                   Estimated/Actual filing due to favorable crew availability and workloads. This  
20                   project is discussed in Corey Zeigler's direct testimony.

21

22           **3.    Pipeline Integrity Management (Project No. 3):** The project expenditure

23                   variance was \$269,104 or 24% lower than projected. This variance is primarily

1           attributable to repair projects that were anticipated for the third and fourth  
2           quarter of 2010 not being completed until the first quarter of 2011. This project  
3           is further discussed in Patricia West's direct testimony.

4

5           **4. SO<sub>2</sub> Emissions Allowances Program (Project No. 5):** The SO<sub>2</sub> Emissions  
6           Allowances O&M project expenditures variance was \$637,889 or 6% higher  
7           than projected. This variance is attributable to a higher energy demand, due to  
8           weather, during the fourth quarter of 2010 than expected in the  
9           Estimated/Actual Filing.

10

11           **5. CAIR Crystal River (Project No. 7.4):** The CAIR Crystal River O&M  
12           expenditures were \$3,282,634 or 15% lower for this program than originally  
13           projected. This variance is primarily attributable to higher than estimated  
14           warranty benefits at Crystal River Units 4 and 5 that were covered under the  
15           Vendor warranty agreement, and lower than estimated reagent and by-product  
16           costs. This project is further discussed in David Sorrick's testimony.

17

18           **Q. How did actual Capital recoverable expenditures for January 2010 through**  
19           **December 2010 compare with PEF's Estimated/Actual projections as**  
20           **presented in previous testimony and exhibits?**

21           **A.** Form 42-6A shows that the total Capital Investment project recoverable cost  
22           variance was \$438,736 lower than the Estimated/Actual projection for an  
23           immaterial difference. Actual costs and variances by individual project are

1 provided on Form 42-6A. Return on capital investment, depreciation, and property  
2 taxes for each project for the period are provided on Form 42-8A, pages 1 through  
3 15.

4

5 **Q. How did actual Crystal River CAIR – Base (Project No. 7.4) capital**  
6 **expenditures for January 2010 through December 2010 compare with PEF’s**  
7 **estimated/actual projections as presented in previous testimony and exhibits?**

8 **A.** PEF reprojected total capital expenditures to be \$61,566,353 in 2010 (PSC-10-  
9 0683-FOF-EI, Exhibit TGF-1 Schedule 42-8E pg.9) as part of the Estimated/Actual  
10 filing. Actual expenditures in 2010 were \$55,771,092 (10%) lower than projected.  
11 This variance is primarily due to the unused portion of the project’s contingency  
12 that is used to manage acknowledged risks that are likely to occur during the  
13 project. This project is further discussed in Kevin Murray’s direct testimony.

14

15 **Q. Were any major CAIR assets placed into service during 2010?**

16 **A.** Yes. Consistent with what was filed in the 2010 Estimated/Actual filing, in May  
17 2010 (see Capital Program Details; page 13 of 20) PEF has placed the following  
18 major projects into service:

- 19
  - Crystal River Unit 4 Selective Catalytic Reduction (SCR); and
  - 20 • Flue Gas Desulfurization (FGD) systems.

21 These projects are further discussed in Kevin Murray’s direct testimony.

22

23 **Q. Does this conclude your testimony?**

24 **A.** Yes, it does.



1           **MR. PERKO:** Thank you, Your Honor. At this  
2 time we would tender the witness for cross-examination.

3           **CHAIRMAN GRAHAM:** Mr. Moyle.

4           **MR. MOYLE:** Thank you.

5                           CROSS EXAMINATION

6           **BY MR. MOYLE:**

7           **Q.** Mr. Garrett, you were here yesterday when Ms.  
8 Olivier was asked a number of questions about the  
9 environmental cost modeling, and the amount of monies  
10 that Progress is seeking to recover related to  
11 environmental expense, were you not?

12           **A.** Yes, I was.

13           **Q.** Do you have that same knowledge that she has  
14 with respect to the models and the monies that Progress  
15 is seeking recovery for?

16           **A.** No, I'm not. I don't have intimate knowledge  
17 about how the models on the forecasting side works. I  
18 do, however, understand how the actual costs are  
19 incurred related to those allowances.

20           **Q.** Okay. Let me refer you to your Exhibit WG-1.  
21 It's Page 4 of 23, and on Line 5 there is an  
22 SO2 emissions allowance. Do you see that?

23           **A.** What I have here, unfortunately, is not  
24 numbered.

25           **Q.** In my version -- I'm sorry, it's under Line 1,

1 description of O&M activities, and then there's a Number  
2 5 under that, SO2 emission allowances.

3 A. Yes. This is for the period January 2010  
4 through December 2010?

5 Q. Yes, sir.

6 A. Yes.

7 Q. Okay. And this is your exhibit, right?

8 A. Yes.

9 Q. And you have a number there for SO2 emissions  
10 allowances, correct?

11 A. It's both SO2 and NOx emission allowances,  
12 yes.

13 Q. Okay. So NOx is not stated separately, it's  
14 part of the item on Line 5?

15 A. In Line 5 the description is SO2/NOx emission  
16 allowances.

17 Q. Okay. Well, my copy just says SO2 emission  
18 allowances, but maybe we are looking at different  
19 things. How do you come up with that number?

20 CHAIRMAN GRAHAM: I think we're looking at two  
21 different charts.

22 MR. MOYLE: Yes.

23 MR. PERKO: Commissioner, we can provide a  
24 copy of the exact exhibit to the witness and maybe that  
25 will move things along.

1           **CHAIRMAN GRAHAM:** Let's do that.

2           **THE WITNESS:** That would be helpful.

3           **MR. MOYLE:** Okay. Well, I'm not sure if I'm  
4 off or if you're off.

5           **CHAIRMAN GRAHAM:** We all have what you have in  
6 your hand.

7           **MR. MOYLE:** Okay.

8           **CHAIRMAN GRAHAM:** Does somebody, anybody have  
9 a copy for this witness? He can have mine.

10          **MR. PERKO:** I'll provide it to him, Mr.  
11 Chairman.

12          **MR. MOYLE:** And I guess the question in my  
13 mind arises, well, what does the witness have? Are  
14 there other differences that he's looking at?

15          **THE WITNESS:** No. I have my original filed  
16 testimony, but it wasn't marked.

17                    Again, what page are you on, please?

18 **BY MR. MOYLE:**

19            **Q.** What I'm looking at is an exhibit that was, I  
20 think, attached to your prefiled testimony that is WG-1,  
21 Page 4 of 23. To the right it says Form 42-4A.

22            **A.** I'm there.

23            **Q.** Okay. And then what was the difference  
24 between what you were looking at and testifying as  
25 compared to what you are looking at and testifying now?

1           **A.**    Yes.  Let me clarify.  If you look at Page 5  
2 of 23, there's a monthly breakout of that same dollar  
3 amount that you were referring to on Page 4, and in that  
4 description it is SO2/NOx emission allowances.  So it  
5 includes both.  On Page 4 of 23, the description says  
6 SO2 emission allowances, so it really includes both.  So  
7 the description on Page 4 should read SO2 and NOx  
8 allowances as it does on Page 5.

9           **Q.**    So for accounting purposes then, you combine  
10 them, is that correct?

11           **A.**    No.  They are separate inventories.  But for  
12 purposes of recording the expenditures here, they have  
13 been put together, or grouped together.

14           **Q.**    Okay.  And do you know how much money you are  
15 seeking to recover for NOx and SOx allowances as a  
16 result of Crystal River 3 not running?

17           **A.**    I think there was some discovery filed on that  
18 related to both 2010, '11, and '12 amounts.

19           **Q.**    Should I wait for Mr. Foster, maybe, with  
20 that, or do you know the information?

21           **A.**    I do know the information.  I think I have it  
22 here.  Give me a second.  The 2010 amounts are  
23 \$2,453,542, and that would have been included in my  
24 actuals for 2010.  2011 was \$1,191,999.  And then 2012  
25 is actually a negative amount of \$957,130 for a total of

1       \$2,688,411.

2           Q.    And do you understand the logic behind  
3 Progress asking for this 2.6 million as it relates to  
4 NOx and SOx emissions?

5           A.    The logic -- yes, I do understand the  
6 accounting behind it, if that's your question.

7           Q.    No, I'm just trying to -- if you could  
8 describe why you did the before and after look in terms  
9 of how you came up with the NOx and SOx requests for  
10 funds?

11          A.    The dollar amounts represent the actual  
12 expenses that either we have incurred or we are  
13 projecting to incur based on our historical inventory  
14 balances that we have in those SOx and NOx allowances.

15          Q.    So if there was an audit being done and  
16 someone was looking to say, okay, I want to see the cost  
17 basis for these NOx and SOx allowances, what piece of  
18 paper would they find that would reveal the cost basis  
19 for the NOx and SOx allowances?

20          A.    Well, they would find underlying, what I would  
21 call, perpetual inventory records that are required by  
22 the FERC that would maintain the historical cost basis  
23 of each allowance as it was purchased, and the vintage  
24 of that allowance, and a cumulative inventory value of  
25 those purchases.  And that perpetual record would also

1 show to what extent that inventory balance has been  
2 relieved or reduced for any use of allowances.

3 Q. Is it your testimony that every NOx and SOx  
4 allowance in the inventory was paid for and that you  
5 paid money to a third party for the allowance?

6 A. Some allowances are paid for and purchased,  
7 and others are allocated at a zero cost. But all of  
8 those allowances then are available to be used based on  
9 the emissions at our various plants and as those  
10 allowances are used or consumed.

11 Q. So how many have a zero cost basis that were  
12 allocated and how many did you buy, or do you know that  
13 information?

14 A. There was some discovery filed related to  
15 that, but I'm not sure that I have that here.

16 Q. Can you say were more than half of them  
17 allocated by the federal government that doesn't have a  
18 cost basis as compared to ones that were purchased?

19 A. I wouldn't want to speculate unless I had that  
20 actual information in front of me.

21 Q. Would Mr. Foster be better able to answer  
22 that?

23 A. If I had a moment to find that, I could  
24 address that. There was lot of discovery filed in this  
25 that I would have to go through to see if I could --

1           **CHAIRMAN GRAHAM:** This sounds like a good  
2 time. Let's just go ahead and take a five-minute recess  
3 and let the witness look for that information.

4           **THE WITNESS:** Thank you. I appreciate that.

5           **MR. MOYLE:** Thank you.

6           (Brief recess.)

7           **CHAIRMAN GRAHAM:** All right. We are about  
8 ready to get started, restated.

9           Mr. Moyle, you have the floor.

10          **MR. MOYLE:** Thank you.

11          **BY MR. MOYLE:**

12           **Q.** I think the witness was going to look for  
13 information as to describe how much of their inventory  
14 was allocated at zero cost basis as compared to how much  
15 they purchased.

16           **A.** Yes. As part of the Sixth Set of  
17 Interrogatories, Numbers 13 through 14, which I believe  
18 have been submitted as exhibits here, there's an  
19 attachment to that exhibit and that response, Attachment  
20 13I that includes a table of the inventory allowances  
21 that I think answers the question you were getting at,  
22 which is what inventory balance do you have in terms of  
23 allowances, and what allowances have been allocated from  
24 the EPA and are included in that balance at zero cost.

25           **Q.** So can you describe what allowances have been

1 allocated by the EPA at zero cost?

2 A. Yes. There are allowances that are both for  
3 NOx, seasonal NOx emission allowances and annual NOx  
4 emission allowances, as well as SO2 emission allowances.  
5 There are -- in terms of annual NOx emission allowances,  
6 in 2011 there was 17,914 tons allocated at zero cost,  
7 and for seasonal NOx allowances in 2011, 8,730 tons at  
8 zero cost. And SO2 in 2011, the allocation was  
9 59,571 tons at zero cost.

10 Q. And with respect to NOx and SOx, were these  
11 credits sufficient to offset the additional  
12 environmental costs associated with not running Crystal  
13 River 3?

14 A. Well, there were sufficient -- I would say,  
15 no, that there were sufficient inventory balances  
16 available to meet those requirements. It's just a part  
17 of the inventory that we have.

18 Q. I understand, but I'm just -- presumably there  
19 is a finite amount of NOx and SOx tons that you're  
20 looking to recover, because Crystal River 3 was not  
21 running, correct?

22 A. That's correct.

23 Q. Okay. And the amount you're looking to  
24 recover in terms of that finite amount is less than the  
25 amounts that you just read with respect to NOx and SOx



1 emission credits that you have that were allocated to  
2 you for free, am I correct?

3 A. Yes, they are lower. Yes, the actual NOx and  
4 SOx allowances that were used and considered to be  
5 related to the CR-3 outage are less than the amount that  
6 was allocated by the EPA.

7 Q. Okay. But you are not necessarily, then,  
8 looking to assign a zero cost basis to the emissions  
9 credits for which you are now asking this Commission to  
10 authorize recovery for, correct?

11 A. That's correct. We don't follow that  
12 accounting treatment. The generally accepted accounting  
13 method for these allowances that's used by our company  
14 as well as recognized by the FERC as an acceptable  
15 method is an average cost method.

16 Q. And how did you get these free allowances?  
17 The federal government gave them to you, is that right?

18 A. Again, I don't know all the details around  
19 that, but I understand that they are allocated from the  
20 EPA.

21 Q. And, again, not being conversant on accounting  
22 terms, I have heard a term called FIFO. Do you know  
23 what that is in accounting?

24 A. Yes.

25 Q. What is it?

1           A.    It's first in, first out.  It's a method of  
2 assigning costs to expenses related to inventory, the  
3 use of inventory.  It would be the equivalent -- in  
4 general business if you had sales and you were selling  
5 inventory, it would be one approach to assign cost to  
6 those sales as you sold inventory.  So, for example,  
7 FIFO would say that you would look at the first cost  
8 that you had in inventory, and you would sign that out  
9 to those sales.  So it would look to the oldest cost  
10 that you would have in inventory and assign that to  
11 sales.

12                   That's one of a number of methods to use to  
13 value inventory.  Ours happens to be average cost, which  
14 is used not only for these inventories, but our fuel  
15 inventories, and, again, as recognized by the FERC as an  
16 acceptable method of valuing inventory.

17           Q.    Does GAAP recognize FIFO as an acceptable way  
18 to also value inventories?

19           A.    It does.

20           Q.    Does FERC also recognize -- well, strike that.

21                   So to the extent that you used FIFO, the FIFO  
22 treatment in accounting for these credits, if I  
23 understand our conversation, you would use the ones that  
24 the EPA provided to you for free, assuming that that was  
25 done as soon as the EPA put this program in place.  They

1 said, okay, we are going to come up with this new rule.  
2 We are going to give you allowances for certain things  
3 that you have, and then you are going to have to use  
4 these allowances to offset emissions. Would I be  
5 correct in that assumption?

6 A. No, that's not correct.

7 Q. Why not?

8 A. Well, FIFO, again, would look to the oldest  
9 cost, and that cost could include allowances that had  
10 zero value, and it could have allowances that have a  
11 purchased price. So it wouldn't be just assigning those  
12 that have zero cost. You would go back and look at the  
13 first cost that you have in inventory to assign to the  
14 expense that you were recognizing.

15 Q. Okay. And for the purposes of my question,  
16 assume for the purposes of my question that you have  
17 this inventory. You have 20 units in your inventory,  
18 and your first ten that you got initially were given to  
19 you by the federal government at no cost, okay? So,  
20 Units 1 through 10, no cost from the federal government,  
21 correct? Units 11 through 20, you went into the market  
22 and purchased them.

23 If the units needed to offset the Crystal  
24 River 3 not running, if you needed three units of those,  
25 and the EPA gave you those units before you purchased,

1 applying a FIFO principle, you would take the first  
2 three units, one, two, and three, and apply them against  
3 the requirement for certain units, correct?

4 A. Yes. You would use those first units to  
5 assign costs for whatever the requirement was.

6 Q. Okay. And in the FIFO approach, the cost of  
7 those first three units, assuming the EPA gave them to  
8 you and they came in before you went into the market,  
9 would be zero, correct?

10 A. That would be zero, yes.

11 Q. Let me just ask you a couple of questions on a  
12 different topic. On Page 4 of your testimony, on Line 2  
13 you are seeking monies for certain property tax expense.  
14 Do you know what property tax expense you are seeking  
15 recovery for?

16 MR. PERKO: Mr. Chairman, I'm going to object.  
17 This is outside the scope of this issue. All other  
18 issues have been stipulated.

19 CHAIRMAN GRAHAM: I'll allow the question.

20 THE WITNESS: Can you tell me what page you  
21 are on again?

22 BY MR. MOYLE:

23 Q. Sure. Page 4, Line 2.

24 A. Yes. Property tax would be associated with  
25 those capital assets that we are recovering operating

1 expenses related to that are qualified capital  
2 investments included and recovered through the ECRC.

3 Q. And is that limited solely to capital expense  
4 on environmental issues?

5 A. Yes. It is only those capital investments  
6 that are recovered through the ECRC.

7 Q. Okay. And down on Line 11, are you seeking  
8 recovery of certain combustion turbines through this  
9 clause where you say, quote, Clean Air Rule combustion  
10 turbines?

11 A. No, they are not CT, combustion turbine  
12 investments here.

13 Q. What is that?

14 A. Well, if we go to Page 9 through 12 of my  
15 exhibits -- there's a capital investment summary that  
16 I'm looking for. If you go to page -- again,  
17 unfortunately, I'm looking at this exhibit. I apologize  
18 that my details are different here. Yes. It's Page 4  
19 of 21.

20 Q. Yes.

21 A. And these are not CT investments, if you will.  
22 When I think of CTs I think of actual in-the-ground  
23 production assets, combustion turbines. These details  
24 speak to above-ground tanks related to our facilities  
25 that have CTs at them.

1 Q. What are the tanks used for?

2 A. I'm not aware exactly what they are used for  
3 operationally. I do know that they are qualifying  
4 projects, though, that have been approved to be included  
5 in the ECRC.

6 MR. MOYLE: Thank you for the opportunity to  
7 inquire. I have no further questions.

8 CHAIRMAN GRAHAM: Mr. Brew, Mr. Rehwinkel, any  
9 questions of this witness?

10 MR. REHWINKEL: (Indicating no.)

11 MR. BREW: (Indicating no.)

12 CHAIRMAN GRAHAM: Staff?

13 MS. BROWN: We have just a couple.

14 CHAIRMAN GRAHAM: Sure.

15 CROSS EXAMINATION

16 BY MS. BROWN:

17 Q. Good morning, Mr. Garrett.

18 A. Good morning.

19 Q. I'm Martha Brown. How long has PEF practiced  
20 the NOx and SOx allowance accounting and expensing that  
21 FIPUG questioned you on?

22 A. It would have been since the adoption of the  
23 program. I don't know the exact date of when we started  
24 securing SO2 or NOx allowances, but from the beginning  
25 of acquiring those we have been following that

1 methodology consistently, that is the average cost  
2 method.

3 Q. Would that have been, subject to check, since  
4 about 1995?

5 A. That sounds approximately right. I would  
6 think that seems reasonable.

7 Q. And has PEF implemented any accounting changes  
8 related to emission allowances due to the CR-3 extended  
9 outage?

10 A. No, we have not.

11 Q. And just one more question. You helped  
12 sponsor PEF's position on Issue 1 in this case, which  
13 are the final environmental cost-recovery true-up  
14 amounts for 2010. The amount that you sponsored, as  
15 stated in the prehearing order, is \$6,232,839  
16 overrecovery. What would the final environmental  
17 cost-recovery true-up amount be, excluding any dollar  
18 amounts associated with PEF's Crystal River outage?

19 A. I can give an approximate amount, because you  
20 would have to actually run through an interest  
21 calculation to determine the exact overrecovery.

22 Directionally, since we are starting with an  
23 overrecovery, if you were to remove the 2010 related  
24 environmental costs associated with the CR-3 outage,  
25 which I mentioned earlier was \$2,453,542, you would add

1 that amount to the \$6,232,839, which my calculation is  
2 \$8,686,381 overrecovery, plus whatever interest  
3 assumption you would make on that overrecovery. So that  
4 would increase it slightly.

5 **MS. BROWN:** Yes. That's fine. Thank you.

6 And with that we have no further questions.

7 **CHAIRMAN GRAHAM:** Commissioners, any questions  
8 of this witness?

9 Redirect.

10 **MR. PERKO:** Very briefly, Mr. Chairman.

11 **CHAIRMAN GRAHAM:** Sure.

12 **REDIRECT EXAMINATION**

13 **BY MR. PERKO:**

14 **Q.** Mr. Garrett, would it be appropriate to change  
15 accounting methodologies due to a particular event in  
16 time?

17 **A.** No. Generally, for changing an accounting  
18 principle there has to be an underlying reason for it  
19 that it is a preferred method. And I don't think it  
20 would be a preferred method to just pick and choose  
21 which way you wanted to -- what method you wanted to use  
22 to get a desired expense or desired outcome. I think  
23 the more appropriate thing to do is to apply a  
24 methodology in a consistent manner.

25 **MR. PERKO:** Nothing further.



1           **CHAIRMAN GRAHAM:** Now, what are those exhibits  
2 again you wanted to enter into the record?

3           **MR. PERKO:** Exhibits 16 and 17.

4           **CHAIRMAN GRAHAM:** Exhibits 16 and 17. We will  
5 enter those into the record.

6           (Exhibit Numbers 16 and 17 admitted into the  
7 record.)

8           **CHAIRMAN GRAHAM:** If there is nothing else of  
9 this witness, Mr. Garrett, thank you for your testimony  
10 today.

11           Mr. Perko, if I can get you to call your next  
12 witness.

13           **MR. PERKO:** Progress Energy calls Patricia  
14 West.

15                           **PATRICIA WEST**

16 was called as a witness on behalf of Progress Energy  
17 Florida, and having been previously duly sworn, testified as  
18 follows:

19                           **DIRECT EXAMINATION**

20           **BY MR. PERKO:**

21           Q. Good morning. Could you please introduce  
22 yourself to the Commission and state your business  
23 address for the record.

24           A. Yes. My name is Patricia West, and my  
25 business address is 299 First Avenue North in St.

1 Petersburg, Florida, zip code 33701.

2 Q. Ms. West, have you been sworn?

3 A. Yes, I have.

4 Q. What position do you hold -- or by whom are  
5 you employed and in what position?

6 A. I am employed by the Progress Energy Services  
7 Company through Progress Energy Florida, and I serve as  
8 the Manager of Environmental Services.

9 Q. Did you submit prefiled testimony in this  
10 proceeding on April 1st, August 1st, and August 26th,  
11 2011?

12 A. Yes, I did.

13 Q. Do you have any changes to that testimony?

14 A. No, I do not.

15 Q. If I were to ask you the same questions in  
16 your prefiled testimony today, would your answers be the  
17 same?

18 A. Yes.

19 Q. And did you submit exhibits that have been  
20 marked on Staff's Composite Exhibit List as Numbers 18  
21 through 21?

22 A. I did.

23 Q. Do you have any changes to those exhibits?

24 A. No.

25 **MR. PERKO:** At this time, Mr. Chairman, I

1 would move Ms. West's testimony, prefiled testimony into  
2 evidence.

3           **CHAIRMAN GRAHAM:** We will move Ms. West's  
4 prefiled testimony into the record as if though read.  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## 1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                                   DIRECT TESTIMONY OF

3                                   **PATRICIA Q. WEST**

4                                   ON BEHALF OF

5                                   PROGRESS ENERGY FLORIDA

6                                   DOCKET NO. 110007-EI

7                                   April 1, 2011

8

9    **Q.     Please state your name and business address.**10   A.    My name is Patricia Q. West. My business address is 299 First Avenue North,  
11         St. Petersburg, FL 33701.

12

13   **Q.     By whom are you employed and in what capacity?**14   A.    I am employed by the Environmental Services and Strategy Department of  
15         Progress Energy Florida ("Progress Energy" or "Company") as Manager of  
16         Environmental Services / Power Generation Florida.

17

18   **Q.     What are your responsibilities in that position?**19   A.    I am responsible for ensuring that environmental technical and regulatory  
20         support is provided to Power Generation Florida for the implementation of  
21         compliance strategies associated with the environmental requirements for power  
22         generation facilities in Florida.

23

24

1 **Q. What current PSC-approved projects are you responsible for?**

2 **A.** I am responsible for Pipeline Integrity Management (Project No. 3);  
3 Aboveground Storage Tank Secondary Containment (Project No. 4), Phase II  
4 Cooling Water Intake (Project No. 6), CAIR Peaking - Demand (Project No.  
5 7.2), Arsenic Groundwater Standard (Project No. 8), Underground Storage  
6 Tanks (Project 10), Modular Cooling Towers (Project No. 11), Thermal  
7 Discharge Permanent Cooling Tower (Project No. 11.1), Greenhouse Gas  
8 Inventory and Reporting (Project No. 12), Mercury Total Daily Maximum  
9 Loads Monitoring (Project No. 13), Hazardous Air Pollutants (HAPs) ICR  
10 Program (Project No. 14), and the Effluent Limitation Guidelines ICR Program  
11 (Project No. 15).

12

13 **Q. What is the purpose of your testimony?**

14 **A.** The purpose of my testimony is to explain material variances between the  
15 Actual project expenditures and the Estimated/Actual cost projections for  
16 environmental compliance costs associated with three approved projects within  
17 my areas of responsibility. In addition, I am sponsoring Exhibit No. \_\_ (PQW-  
18 1), which is PEF's review of the efficacy of its Integrated Clean Air Compliance  
19 Plan and of retrofit options in relation to expected environmental regulations.

20

21 **Q. Which projects have a material variances for which you be providing**  
22 **variance explanations?**

23 **A.** I will provide an explanation for the Pipeline Integrity Management Program  
24 (Project 3), aspects of PEF's Integrated Clean Air Compliance Program within

1 my area of responsibility (Project 7.2), and PEF's Effluent Limitation  
2 Guidelines ICR Program (Project 15) for the period January 2010 through  
3 December 2010.

4  
5 **Q. Please explain the variance between the actual project expenditures and the**  
6 **Estimated/Actual projections for the Pipeline Integrity Management**  
7 **(Project No. 3) for the period January 2010 to December 2010.**

8 A. The operation and maintenance ("O&M") expenditures for the Pipeline Integrity  
9 Management program expenditures were \$269,104 or 24% lower than projected  
10 in the Estimated/Actual filing. This variance is primarily attributable to repair  
11 projects that were anticipated to be started and completed during the third and  
12 fourth quarter of 2010 not being completed until the first quarter of 2011.

13  
14 **Q. Please explain the variance between the actual project expenditures and the**  
15 **Estimated/Actual projections for the CAIR Combustion Turbine Predictive**  
16 **Emissions Monitoring Systems (Project No. 7.2) for the period January**  
17 **2010 to December 2010.**

18 A. The CAIR Combustion Turbine Predictive Emissions Monitoring Systems  
19 O&M expenditures were \$20,401 or 30% lower for this program than projected  
20 in the Estimated/Actual filing. This variance is attributable to reduced costs for  
21 software maintenance and a lower number of recertification tests than were  
22 originally anticipated.

23

1 **Q. Please explain the variance between the actual project expenditures and the**  
2 **Estimated/Actual projection for the Effluent Limitation Guidelines ICR**  
3 **Program (Project No. 15) for the period January 2010 to December 2010.**

4 A. Expenditures for the Effluent Limitation Guidelines ICR Program were \$38,824  
5 or 65% lower than projected. This variance is attributable to contractor costs  
6 being less than originally expected due to the availability of PEF employees to  
7 support the data gathering and survey response preparation.

8

9 **Q. In Order No. PSC 10-0683 -FOF-EI issued in Docket 100007-EI on**  
10 **November 15, 2010, the Commission directed PEF to file as part of its**  
11 **ECRC true-up testimony “a yearly review of the efficacy of its Plan D and**  
12 **the cost-effectiveness of PEF’s retrofit options for each generating unit in**  
13 **relation to expected changes in environmental regulations.” Has PEF**  
14 **conducted such a review?**

15 A. Yes. PEF’s yearly review of the Integrated Clean Air Compliance Plan is  
16 provided as Exhibit No. \_\_ (PQW-1)

17

18 **Q. Please summarize the conclusions of PEF’s review.**

19 A. Based on project milestones achieved to date, PEF remains confident that Plan  
20 D will have the desired effect of achieving timely compliance with the  
21 applicable regulations in a cost-effective manner. No new or revised  
22 environmental regulations have been adopted that have a direct bearing on  
23 PEF’s compliance plan. Although FDEP initiated the process of developing a  
24 cap-and-trade program to regulate carbon dioxide (“CO<sub>2</sub>”) emissions over a year

1           ago, no regulations have been adopted to date and there currently are no  
2           demonstrated retrofit options to reduce CO<sub>2</sub> emissions from fossil fuel-fired  
3           electric generating units. For these reasons, PEF's Plan D continues to  
4           represent the most cost-effective alternative for achieving and maintaining  
5           compliance with the applicable regulatory requirements. PEF will continue to  
6           evaluate future compliance options in light of EPA's ongoing development of  
7           MACT standards for coal and oil-fired generating units.

8

9   **Q.    Does this conclude your testimony?**

10  **A.    Yes it does.**



## 1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                                   DIRECT TESTIMONY OF

3   PATRICIA Q. WEST

4   ON BEHALF OF

5                                   PROGRESS ENERGY FLORIDA

6                                   DOCKET NO. 110007-EI

7                                   AUGUST 1, 2011

8

9    **Q.    Please state your name and business address.**10   A.    My name is Patricia Q. West. My business address is 299 First Avenue North,  
11         St. Petersburg, FL 33701.

12

13   **Q.    By whom are you employed and in what capacity?**14   A.    I am employed by the Environmental Services Section of Progress Energy  
15         Florida (“Progress Energy” or “Company”) as Manager of Environmental  
16         Services / Power Generation Florida.

17

18   **Q.    What are your responsibilities in that position?**19   A.    I am responsible for ensuring that environmental technical and regulatory  
20         support is provided to the implementation of compliance strategies associated  
21         with the environmental requirements for power generation facilities in Florida.

22

1 Q. Have you previously filed testimony before this Commission in connection  
2 with Progress Energy Florida's Environmental Cost Recovery Clause  
3 (ECRC)?

4 A. Yes, I have.

5

6 Q. Have your duties and responsibilities remained the same since you last filed  
7 testimony in this proceeding?

8 A. Yes.

9

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to explain material variances between the  
12 Estimated/Actual project expenditures and the original cost projections for  
13 environmental compliance costs associated with Above Ground Storage Tank,  
14 Arsenic Groundwater Standard Project, Thermal Discharge Permanent Cooling  
15 Tower Project, Greenhouse Gas Inventory and Reporting Program, and Mercury  
16 Total Maximum Daily Load (TMDL) Project, National Pollutant Discharge  
17 Elimination System (NPDES) Program, and the Maximum Achievable Control  
18 Technology (MACT) Program for the period January 2011 through December  
19 2011. I will also describe the new Cross State Air Pollution Rule (CSAPR)  
20 finalized by the EPA on July 6, 2011.

21

22 Q. What current PSC-approved projects are you responsible for?

23 A. I am responsible for Pipeline Integrity Management (Project No. 3);  
24 Aboveground Storage Tank Secondary Containment (Project No. 4), Phase II

1 Cooling Water Intake (Project No. 6), CAIR/CAMR Peaking - Demand (Project  
2 No. 7.2), Arsenic Groundwater Standard (Project No. 8), Underground Storage  
3 Tanks (Project 10), Modular Cooling Towers (Project No. 11), Thermal  
4 Discharge Permanent Cooling Tower (Project No. 11.1), Greenhouse Gas  
5 Inventory and Reporting (Project No. 12), Mercury TMDL (Project No. 13),  
6 Hazardous Air Pollutants (HAPs) ICR Program (Project No. 14), Effluent  
7 Limitation Guidelines Information Collection Request (ICR) Program (Project  
8 No. 15), NPDES Program (Project No.16), and the MACT Program (Project 17).

9

10 **Q. Are you sponsoring any exhibits with your testimony?**

11 A. Yes. I am sponsoring the following exhibits:

- 12 • Exhibit No. \_\_ (PQW-1), which includes a verified Petition for Approval  
13 of Cost Recovery for New Environmental Program and associated  
14 exhibits that PEF filed in this docket on March 11, 2011; and
- 15 • Exhibit No. \_\_ (PQW-2), which includes a verified Petition to Modify  
16 Scope of Existing Environmental Program that PEF filed in this docket  
17 on May 24, 2011.

18

19 **Q. Please explain the variance between the Estimated/Actual project**  
20 **expenditures and the original projections for the Aboveground Storage**  
21 **Tank (AST) Program (Project No. 4) for the period January 2011 to**  
22 **December 2011.**

23 A. PEF is estimating capital expenditures to be \$1,710,094. No expenditures were  
24 originally projected for this program. This variance is primarily driven by the

1 decision to double-bottom an additional existing AST at the DeBary combustion  
2 turbine site. Initially, PEF had planned to only double-bottom only one of the  
3 two tanks at the DeBary site. However, with additional operating experience,  
4 PEF has concluded that it is necessary to keep the second tank operational,  
5 requiring it to be double-bottomed under DEP rules. FPSC Order No. PSC-  
6 1348-FOFO-EI states: "PEF should be allowed to recover costs through the  
7 ECRC for the installation of or upgrades to secondary containment for field-  
8 erected above ground storage tank systems as required by the 1998 amendments  
9 incorporated into Rule 62-761.510 (Table AST, Keynotes W and U), Florida  
10 Administrative Code." These costs are specifically to bring an existing AST up  
11 to the standards indicated above.

12  
13 **Q. Please explain the variance between the Estimated/Actual project**  
14 **expenditures and the original projections for the Arsenic Groundwater**  
15 **Standard (Project No. 8) for the period January 2011 to December 2011.**

16 A. PEF is not expecting to spend any dollars on this project in 2011. This is a  
17 reduction from the projected expenditures of \$15,000. This variance is mainly  
18 attributable to the status of PEF's work on this program. Analytical data has  
19 been submitted to FDEP and we are awaiting determination of next steps  
20 associated with assessing groundwater quality at the Crystal River Energy  
21 Complex.

22  
23 **Q. Please explain the variance between the Estimated / Actual project**  
24 **expenditures and the original projections for the Thermal Discharge**

1           **Permanent Cooling Tower (Project 11.1) for the period January 2011 and**  
2           **December 2011.**

3    A.    For informational purposes in this filing, PEF has estimated 2011 capital  
4           expenditures of \$14.4 million which is 53% lower than originally projected.  
5           This variance is attributable to the project being on hold due to pending  
6           environmental regulations and the potential impacts they may have on the need  
7           for the new tower. These estimates may be impacted by both the final form of  
8           new environmental regulations, and the repair plan and timing of completing  
9           Crystal River Unit 3 delamination work. Please see Witness Foster's testimony  
10          for further discussion of these costs.

11

12   **Q.    Please explain the variance between the Estimated / Actual project**  
13          **expenditures and the original projection for the Greenhouse Gas (GHG)**  
14          **Inventory and Reporting Program (Project No. 12).**

15    A.    PEF is expecting O&M expenditures to be \$4,500 or 100% lower for this project  
16          than originally projected. PEF had anticipated the need for contractor support  
17          during the first year of reporting under the EPA's GHG rule due to uncertainty  
18          about use of the required data entry system. The beta version of the data entry  
19          system is now available and PEF no longer expects to need external support.

20

21   **Q.    Please explain the variance between the Estimated / Actual project**  
22          **expenditures and the original projections for the Mercury TMDL (Project**  
23          **13) for the period January 2011 and December 2011.**

1 A. PEF is projecting O&M expenditures to be \$ 11,663 or 31% higher for this  
2 project in 2011 than originally forecast. This variance is due to the need for  
3 increased contractor support for technical data assessments, primarily additional  
4 air and sediment receptor modeling, as well as additional meetings with the  
5 FDEP.

6

7 **Q. Is PEF requesting recovery of 2011 costs for any new or modified**  
8 **environmental programs?**

9 A. Yes. Earlier this year, PEF submitted petitions in this docket requesting  
10 Commission approval to recover costs associated with new requirements of  
11 NPDES renewal permits for PEF facilities and PEF's costs related to EPA's new  
12 MACT standard for coal-fired power plants.

13

14 **Q. Please explain PEF's request for recovery of costs associated with NPDES**  
15 **renewal permit requirements.**

16 A. The Federal Clean Water Act requires all point source discharges to navigable  
17 waters from industrial facilities obtain permits under the NPDES Program. The  
18 Florida Department of Environmental Protection (FDEP) administers the  
19 NPDES program in Florida. PEF's Anclote and Bartow NPDES permits were  
20 issued on January 19, 2011 and February 14, 2011, respectively. Crystal River  
21 South, Crystal River North, and Suwannee plants are all in the process of  
22 renewal in 2011 and will be required to meet new permitting conditions. On  
23 March 11, 2011 PEF petitioned the Commission for approval to recover costs  
24 associated with new requirements included or expected to be included in the

1 new renewal permits. As detailed in the verified Petition, which is provided as  
2 Exhibit No. \_\_\_ (PQW-1) to my testimony, the new activities include: thermal  
3 studies, aquatic organism return studies and implementation, whole effluent  
4 toxicity testing, dissolved oxygen studies (Bartow only), and freeboard  
5 limitation related studies (Bartow only).

6

7 **Q. Has the Company projected the costs it will incur for the new programs in**  
8 **2011?**

9 A. Yes. PEF projects \$648,334 of O&M costs in 2011 to perform studies and  
10 evaluation to comply with new permit requirements. This estimate is \$411,666  
11 or approximately 37% less than the estimate provided in PEF's Petition. The  
12 variance is due to the timing of permit issuance being later than originally  
13 expected. In addition, the FDEP has suspended the organism return requirements  
14 contained in the Anclote and Bartow recently-issued NPDES permits until 2012  
15 to allow time for the development of the EPA 316(b) regulation and ensure that  
16 state requirements are consistent with federal requirements.

17

18 **Q. Please explain PEF's request for recovery of costs associated with EPA's**  
19 **new MACT Standards.**

20 A. On May 24, 2011 PEF petitioned the Commission to modify the scope of its  
21 previously approved Integrated Clean Air Compliance Plan following EPA's  
22 May 3, 2011 publication of the Electric Generating Unit (EGU) National  
23 Emission Standards for Hazardous Air Pollutants (NESHAPs) that define  
24 MACT for control of hazardous air pollutant emissions. Adoption of this new

1 rule is expected in early 2012, and will require PEF to modify its Integrated  
2 Clean Air Plan to ensure compliance with new emissions standards.

3  
4 As explained in PEF's Petition, which is provided as Exhibit No. \_\_ (PQW-2) to  
5 my testimony, the new requirements of the proposed NESHAP and other  
6 ongoing rulemakings present significant challenges to the utility industry,  
7 requiring substantial analysis and planning to develop and implement cost-  
8 effective compliance measures. As explained in the Petition, PEF plans to  
9 conduct has conducted diagnostic stack testing in order to help inform  
10 development of comments on the proposed rule and the development of  
11 compliance strategies. Upon issuance of the final rule, PEF expects to incur  
12 additional costs in 2012 for detailed engineering and other analyses necessary to  
13 develop compliance strategies for inclusion in an updated Integrated Clean Air  
14 Compliance Plan.

15

16 **Q. Has the Company projected the costs it will incur associated with the**  
17 **MACT rulemaking in 2011?**

18 A. Yes. As stated in its Petition, PEF projects that it will incur \$85,000 of O&M  
19 costs in 2011 on the EGU MACT program to perform air emissions stack  
20 testing.

21

22 **Q. Do the new costs for which PEF seeks recovery qualify for recovery**  
23 **through the ECRC?**



1 A. Yes. As explained in the Petitions included as exhibits to my testimony, costs  
2 for the new costs for which PEF's seeks recovery meet the requirements for  
3 ECRC recovery previously established by the Commission. Specifically, the  
4 expenditures are being prudently incurred after April 13, 1993; the activities are  
5 legally required to comply with a governmentally imposed environmental  
6 requirement which was created, or whose effect was triggered, after the  
7 minimum filing requirements (MFRs) were submitted in PEF's last rate case  
8 (Docket No. 090079-EI); and none of the costs of the new program are being  
9 recovered through base rates or any other cost recovery mechanism.

10

11 **Q. Has the Commission previously approved recovery of costs for similar**  
12 **activities associated with development of environmental compliance**  
13 **measures?**

14 A. Yes.

15

16 **Q. Can you provide an overview of the Cross State Air Pollution Rule**  
17 **(CSAPR) issued by the EPA on July 6, 2011?**

18 A. Yes, I can provide an overview of the Rule and the known impacts. Because  
19 this rule was just issued and is voluminous, PEF is still evaluating its full  
20 impact. CSAPR was created as a replacement for the Clean Air Interstate Rule  
21 (CAIR) due to the Court's decision that found flaws in CAIR but kept CAIR in  
22 place while directing the EPA to issue a replacement rule. On July 6, 2011, the  
23 EPA issued CSAPR which serves as this replacement rule. There are two  
24 known significant impacts of the new rule as described further below.

1 First, CSAPR significantly alters the SO<sub>2</sub> and NO<sub>x</sub> allowance programs. Under  
2 CAIR, Florida was required to comply with the requirements related to annual  
3 emissions of SO<sub>2</sub> and NO<sub>x</sub>, as well as separate requirements regulating NO<sub>x</sub>  
4 emissions during the ozone season. Under CSAPR, Florida is no longer  
5 included in the group of states required to comply with annual emissions  
6 requirements, it is only covered by the ozone season portions of the rule.

7  
8 Second, EPA had previously made the determination that compliance with the  
9 CAIR program equaled compliance with EPA's Best Available Retrofit  
10 Technology (BART) rule requirements for SO<sub>2</sub> and NO<sub>x</sub> at BART affected  
11 utility units. Now that Florida is no longer covered by the annual SO<sub>2</sub> and NO<sub>x</sub>  
12 requirements under CSAPR, compliance with the separate requirements of  
13 BART program will need to be re-evaluated for affected units. The PEF BART  
14 units are Crystal River Units 1 and 2 and Anclote Units 1 and 2.

15

16 **Q. When does compliance with CSAPR become effective for Florida?**

17 A. CSAPR replaces CAIR starting January 1, 2012; the effective compliance start  
18 date for Florida is May 1, 2012 (beginning of ozone season).

19

20 **Q. Can emissions allowances previously issued to utility companies under**  
21 **CAIR and / or the Acid Rain Program be used to comply with CSAPR**  
22 **requirements?**

23 A. No. EPA established that the Acid Rain Program is a separate program with  
24 separate compliance requirements and that CSAPR is a replacement of the

1 current CAIR program. As of January 1, 2012, the emissions allowances under  
2 CAIR will have no value.

3

4 **Q. Are the number of emission allowances allocated to Florida's emission units**  
5 **under CSAPR similar to the number of allowances anticipated based on the**  
6 **proposed version of the Rule?**

7 A. No. The emissions allowances provided to Florida under the final CSAPR are  
8 about one-half of the amounts previously allocated. This may cause challenges  
9 in meeting the compliance levels required, particularly in the early years of the  
10 program. However, the air pollution projects completed at Crystal River Units 4  
11 & 5 under the CAIR, via PEF's Integrated Clean Air Compliance Plan, and the  
12 conversion of the Bartow Units to natural gas are expected to provide some  
13 benefit in addressing these challenges.

14

15 **Q. Does this conclude your testimony?**

16 A. Yes it does.

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
2                                   DIRECT TESTIMONY OF  
3                                   PATRICIA Q. WEST  
4                                   ON BEHALF OF  
5                   PROGRESS ENERGY FLORIDA  
6                                   DOCKET NO. 110007-EI  
7                                   AUGUST 26, 2011  
8

9   **Q.    Please state your name and business address.**

10  A.    My name is Patricia Q. West. My business address is 299 1<sup>st</sup> Avenue North, St.  
11        Petersburg, Florida, 33701.  
12

13  **Q.    By whom are you employed and in what capacity?**

14  A.    I am employed by the Environmental Services Section of Progress Energy  
15        Florida (“PEF” or “Company”) as Manager of Environmental Services / Energy  
16        Supply Florida. In that position I have responsibility to ensure that  
17        environmental technical and regulatory support is provided during the  
18        implementation of compliance strategies associated with the environmental  
19        requirements for power generation facilities in Florida.  
20

21  **Q.    Have you previously filed testimony before this Commission in connection**  
22        **with Progress Energy Florida’s Environmental Cost Recovery Clause?**

23  A.    Yes.

1 **Q. Have your duties and responsibilities remained the same since you last filed**  
2 **testimony in this proceeding?**

3 A. Yes.

4

5 **Q. What is the purpose of your testimony?**

6 A. This testimony provides estimates of the costs that will be incurred in the year  
7 2012 for environmental programs that fall within the scope of my  
8 responsibilities to support PEF's power generation group. These programs  
9 include the Pipeline Integrity Management Program (Project 3), Above Ground  
10 Storage Tanks Secondary Containment Program (Project 4), Phase II Cooling  
11 Water Intake 316(b) Program (Project 6), Integrated Air Compliance Program  
12 associated with combustion turbines (Project 7.2), Arsenic Groundwater  
13 Standard Program (Project 8), Underground Storage Tank Program (Project 10),  
14 Modular Cooling Tower Program (Project 11), Thermal Discharge Permanent  
15 Cooling Tower (Project 11.1) , Green House Gas Inventory and Reporting  
16 Program (Project 12), Mercury TMDL (Project 13), Hazardous Air Pollutants  
17 (HAPs) Information Collection Request (ICR) Program (Project 14), Effluent  
18 Limitation Guidelines ICR (Project 15), National Pollutant Discharge  
19 Elimination System (NPDES) Program (Project 16), and Electric Generating  
20 Unit Maximum Achievable Control Technology (EGU MACT) (Project 17).

21

22 **Q. Have you prepared or caused to be prepared under your direction,**  
23 **supervision or control any exhibits in this proceeding?**

- 1    **A.**     Yes. I am co-sponsoring the following portions of Exhibit No. \_\_ (TGF-3) to  
2            Thomas G Foster's testimony:
- 3            • 42-5P page 3 of 18 - Pipeline Integrity Management
  - 4            • 42-5P page 4 of 18 - Above Ground Storage Tank Containment
  - 5            • 42-5P page 6 of 18 - Phase II Cooling Water Intake
  - 6            • 42-5P page 8 of 18 - Arsenic Groundwater Standard
  - 7            • 42-5P page 10 of 18 - Underground Storage Tanks
  - 8            • 42-5P page 11 of 18 - Modular Cooling Towers
  - 9            • 42-5P page 12 of 18 - Crystal River Thermal Discharge Project
  - 10           • 42-5P page 13 of 18 - Greenhouse Gas Inventory and Reporting
  - 11           • 42-5P page 14 of 18 - Mercury Total Daily Maximum Loads Monitoring
  - 12           • 42-5P page 15 of 18 - Hazardous Air Pollutants (HAPs) ICR Program
  - 13           • 42-5P page 16 of 18 - Effluent Limitation Guidelines ICR Program
  - 14           • 42-5P page 17 of 18 – National Pollutant Discharge Elimination System  
15            (NPDES)
  - 16           • 42-5P page 18 of 18 – Maximum Achievable Control Technology  
17            (MACT)
- 18
- 19    **Q.**     **What costs do you expect to incur in 2012 in connection with the Pipeline**  
20            **Integrity Management Program (Project 3)?**
- 21    **A.**     For 2012, PEF estimates to incur approximately \$1.5 million in O&M costs to  
22            comply with the Pipeline Integrity Management (PIM) regulations (49 CFR Part

1 195). These costs include general program management and oversight of the  
2 performance of program activities.

3

4 **Q. What costs do you expect to incur in 2012 in connection with the Above**  
5 **Ground Storage Tank Secondary Containment Program (Project 4)?**

6 A. PEF does not expect any expenditures in 2012.

7

8 **Q. What costs do you expect to incur in 2012 in connection with the Phase II**  
9 **Cooling Water Intake Program (Project 6)?**

10 A. PEF does not expect any expenditures in 2012. However, as the Commission is  
11 aware, the U.S. Environmental Protection Agency (EPA) is expected to issue a  
12 final rule establishing cooling water intake standards pursuant to Section 316(b)  
13 of the Clean Water Act rule in July 2012. As discussed in PEF's response to  
14 FPSC's Information Request dated May 19, 2011, the proposed rule would  
15 establish standards for impingement mortality that can be achieved in either one  
16 of two ways: 1) modify traveling intake screens with fish collection and return  
17 systems that demonstrate that 88% of the fish collected will survive the process  
18 or 2) reduce the intake flow velocity to 0.5 feet per second. The proposed  
19 316(b) rules would establish that state permitting authorities (FDEP in Florida)  
20 determine requirements for entrainment mortality on a case-by-case, site specific  
21 basis. The permittee must collect data, conduct studies and submit information  
22 that would be used by the state permitting authorities to make its decision.  
23 Permittees would also be required to include an evaluation of a closed-cycle, re-  
24 circulating cooling system (cooling towers) retrofit as part of their entrainment

1 studies. PEF is assessing several options that may be required to comply with  
2 the rule. The options under consideration may change once the final rule is  
3 issued and its impacts better understood, therefore the exact costs that PEF will  
4 incur under 316(b) cannot be predicted.

5

6 **Q. What costs do you expect to incur in 2012 in connection with the CAIR /**  
7 **CAMR Program (Project 7.2)?**

8 A. PEF estimates that approximately \$0.09 million of O&M will be spent in 2012  
9 to perform air emissions testing to comply with 40 CFR 75, Appendix E,  
10 Section 2.2. This regulation requires the Company to perform testing to reset  
11 correlation curves every 20 quarters and must be performed on all of its  
12 Predictive Emissions Monitoring Systems (PEMS) between 2011 and 2013.  
13 Additional air emissions (Appendix E) testing may also be required after  
14 maintenance activities.

15

16 **Q. What costs do you expect to incur in 2012 in connection with the Arsenic**  
17 **Groundwater Standard Program (Project 8)?**

18 A. PEF does not expect any expenditures in 2012. Analytical data has been  
19 submitted to FDEP for determination of next steps associated with assessing  
20 groundwater quality at the Crystal River Complex.

21

22 **Q. What costs do you expect to incur in 2012 in connection with the**  
23 **Underground Storage Tanks Program (Project 10)?**

24 A. PEF does not expect any expenditures in 2012.



- 1 **Q. What costs do you expect to incur in 2012 in connection with the Modular**  
2 **Cooling Tower Program (Project 11)?**
- 3 A. PEF does not expect any expenditures in 2012.  
4
- 5 **Q. What costs do you expect to incur in 2012 in connection with the Thermal**  
6 **Discharge Permanent Cooling Tower (Project 11.1)?**
- 7 A. These estimates will be impacted by both the final form of new environmental  
8 regulations, and the repair plan and timing of completing Crystal River 3  
9 delamination work. Accordingly, these costs cannot be accurately predicted at  
10 this time.  
11
- 12 **Q. What costs do you expect to incur in 2012 in connection with the Green**  
13 **House Gas (GHG) Inventory and Reporting Program (Project 12)?**
- 14 A. PEF does not expect any expenditures in 2012.  
15
- 16 **Q. What costs do you expect to incur in 2012 in connection with the Mercury**  
17 **TMDL Program (Project 13)?**
- 18 A. PEF does not expect any expenditures in 2012.  
19
- 20 **Q. What costs do you expect to incur in 2012 in connection with the Hazardous**  
21 **Air Pollutants (HAPs) Information Collection Request (ICR) Program**  
22 **(Project No. 14)?**
- 23 A. PEF does not expect any expenditures in 2012.

1 **Q. What costs do you expect to incur in 2012 in connection with the Effluent**  
2 **Limitation Guidelines ICR Program (Project No. 15)?**

3 A. PEF does not expect any expenditures in 2012.  
4

5 **Q. What costs do you expect to incur in 2012 in connection with the National**  
6 **Pollutant Discharge Elimination System (NPDES) Program (Project No.**  
7 **16)?**

8 A, PEF estimates O&M costs of approximately \$0.6 million to conduct studies  
9 including thermal evaluations and whole effluent toxicity testing (WET) at  
10 Anclote, Bartow, Crystal River and Suwannee plants, and a dissolved oxygen  
11 (DO) study at Bartow. Capital expenditures in 2012 are expected to be  
12 approximately \$2.3 million for anticipated implementation to comply with  
13 freeboard limitation requirement at Bartow. The details of the implementation  
14 and associated costs will depend upon the FDEP's review and approval of the  
15 results and conclusions in the feasibility study report submitted to the agency on  
16 June 24, 2011. The current proposal includes utilizing an above ground storage  
17 tank to hold wastewater before releasing to a permitted discharge point into the  
18 plant's discharge canal, and removing the existing percolation ponds from  
19 service. Aquatic organism return studies and implementation have been  
20 deferred to 2013 based on FDEP's acknowledgement that the work should be  
21 conducted as required by the EPA's 316(b) rule which is scheduled to be  
22 finalized in July 2012.  
23

- 1    **Q.    What costs do you expect to incur in 2012 in connection with the Electric**  
2           **Generating Unit (EGU) Maximum Achievable Control Technology**  
3           **(MACT) Program (Project No. 17)?**
- 4    **A.**    PEF expects to spend approximately \$0.3 million in O&M in 2012. These costs  
5           include flue gas desulfurization (FGD or “scrubber”) optimization and testing,  
6           selective catalytic reduction (SCR) optimization and testing, electrostatic  
7           precipitator (ESP) optimization and testing, stack emissions testing, and varying  
8           unit operational parameters for Hg, PM, HCl and SO<sub>2</sub> (e.g., hydrated lime  
9           injection rates (off, low, medium, and high molar rates); hydrated lime injection  
10          locations; fuel; air heater temperatures; combustion conditions.) These tests are  
11          necessary to develop compliance strategy options that will be required to  
12          comply with the MACT rule. The options under consideration may change once  
13          the final rule is issued later this year and its impacts better understood. As  
14          discussed of PEF’s response to FPSC’s Information Request dated May 19,  
15          2011, these options may include conversion of fossil steam units(s) to natural-  
16          gas-fired steam units, units retirement, installation of controls (electrostatic  
17          precipitator, sorbent injection, low NO<sub>x</sub> burner, dry flu gas desulfurization  
18          system, selective catalytic reactor, activated carbon injection, baghouse, pulse-  
19          jet fabric filter) and unit performance adjustment. The selection and timing of  
20          compliance alternatives, especially between emissions control options compared  
21          to unit retirement and replacement options, is undetermined at this time, and is  
22          part of a more comprehensive assessment that has not yet been finalized. A  
23          compliance plan for MACT will likely require capital investments in 2012 and  
24          beyond. Once the MACT rule is finalized and PEF determines its most cost-

1 effective compliance options, PEF will submit for Commission review revisions  
2 to PEF's Integrated Clean Air Compliance Plan. The revised Plan will discuss  
3 the impacts and estimated costs associated with PEF's integrated strategy for  
4 complying with MACT and related regulatory programs.

5

6 **Q. Does this conclude your testimony?**

7 **A. Yes.**

1           **MR. PERKO:** And we tender the witness for  
2 cross-examination.

3           **CHAIRMAN GRAHAM:** Ms. West, thank you.  
4 Welcome.

5           Intervenors?

6           **MR. MOYLE:** I have some questions.

7           **CHAIRMAN GRAHAM:** Sure.

8                           CROSS EXAMINATION

9           **BY MR. MOYLE:**

10           **Q.** The Cross-State Air Pollution Rule, CSAPR, are  
11 you seeking any costs, do you know, in this proceeding  
12 related to that rule?

13           **A.** Not at this time, not through the allowances,  
14 no.

15           **Q.** And this rule, as I understand it, does away  
16 with the requirement that Florida have SOx and NOx  
17 allowances, is that right?

18           **A.** That is not correct. We still are responsible  
19 through the acid rain program to account for the SOx,  
20 but you are correct that the annual NOx requirement is  
21 no longer valid. We would just be facing an ozone  
22 season NOx allowance.

23           **Q.** And is this rule effective yet?

24           **A.** The rule has gone final. The EPA recently  
25 issued revisions to the rule, and we are currently in a

1 public comment period. So the rule, although it's  
2 final, the outcome is not yet final, pending outcome of  
3 the public comment period.

4 Q. And so on Page 11 of your testimony, Line 1 --

5 MR. PERKO: If we could clarify which  
6 testimony.

7 THE WITNESS: Yes.

8 BY MR. MOYLE:

9 Q. 8/1/11.

10 A. And could you restate the --

11 Q. I'm sorry. I have it on the last page of your  
12 testimony, Page 11. You state at the top, "As of  
13 January 1, 2012, the emission allowances under CAIR will  
14 have no value."

15 A. That's correct.

16 Q. Do you know what -- is Progress going to have  
17 additional emissions allowances in inventory after  
18 January 1?

19 A. With regard to CAIR, no, we will not.

20 Q. Are you going to treat those as a regulatory  
21 asset, do you know?

22 A. That is my understanding.

23 Q. So the distinction between having them in  
24 inventory and treating them as a regulatory asset, you  
25 will have additional allowances, they just won't be in

1 inventory because they won't be needed, is that right?

2 A. They will not be needed for CSAPR, and I would  
3 have to defer to other witnesses for their treatment.

4 Q. And you state down on Page 11 about certain  
5 improvements at Crystal River 4 and 5 that are expected  
6 to provide some benefits in addressing the clean air  
7 challenges?

8 A. Yes.

9 Q. How do you anticipate that happening?

10 A. The work that was done at Crystal River Units  
11 4 and 5 is to help us comply with the requirements of  
12 CAIR, looking at the NOx and SOx emissions. CSAPR will  
13 continue to look at NOx emissions through the ozone  
14 season, so the controls that were placed on Units 4 and  
15 5 will continue to benefit compliance with CSAPR in that  
16 regard.

17 Q. So do you know to the extent that you spend  
18 money to put these controls on and they result in less  
19 air emissions, do you receive credit for the reduction  
20 in air emissions?

21 A. The emissions from Crystal River Units 4 and 5  
22 were considered by EPA in the allocations they made to  
23 the state for CSAPR.

24 Q. Okay. And you wouldn't know the cost basis of  
25 those, would you?

1           A.    I would not.

2           Q.    You were responsible for, I guess, Plan D, is  
3 that right?

4           A.    I support the updates of Plan D, yes.

5           Q.    Okay.  And what is Plan D?

6           A.    Plan D was developed in, I think, it was  
7 2005/2006 as a strategy to comply with the CAIR  
8 requirements that were in place at that time.

9           Q.    And is that still your operative plan?

10          A.    It is.

11          Q.    Did you author this plan?

12          A.    No, I did not.

13          Q.    Who did?

14          A.    Witness Daniel Rhoder (phonetic) back in 2005  
15 and '06.

16                **MR. MOYLE:**  That's all I have.  Thank you.

17                **CHAIRMAN GRAHAM:**  Staff.

18                **MS. BROWN:**  We just have one question for  
19 Ms. West.

20                                CROSS EXAMINATION

21           **BY MS. BROWN:**

22           Q.    Good morning.

23           A.    Good morning.

24           Q.    We asked Mr. Garrett what the final  
25 environmental cost-recovery true-up amounts would be for



1 December for 2010, including any dollar amounts  
2 associated with PEF's Crystal River outage. What we'd  
3 like to ask you is what are the final environmental cost  
4 true-up amounts excluding the environmental cost portion  
5 related to the purchase of replacement power due to  
6 CR-3, not the total?

7 A. I don't think I have access to that. I don't  
8 have that information available to me right now.

9 Q. Okay. You did sponsor this issue in the case.  
10 Could you provide a late-filed exhibit for us with that?

11 A. Can you help me with that reference?

12 Q. Well, what we're asking -- actually, if you  
13 want, the issue in the case as framed by FIPUG relating  
14 to the purchases of replacement power is Issue 10G, and  
15 it reads should PEF be permitted to recover any  
16 environmental costs related to its purchases of  
17 replacement power due to the Crystal River 3 outage. So  
18 we're trying to get at the specific amount related to  
19 replacement power to take out of that final true-up.  
20 But perhaps Mr. Foster could answer it?

21 A. I would believe so, yes.

22 Q. Okay. We'll ask it then.

23 MS. BROWN: And we have no other questions.

24 CHAIRMAN GRAHAM: Commissioners.

25 Redirect.

1                   **MR. PERKO:** No redirect, Mr. Chairman.

2                   **CHAIRMAN GRAHAM:** All right. Which exhibits  
3 do we need to put in?

4                   **MR. PERKO:** Eighteen through 21.

5                   **CHAIRMAN GRAHAM:** We will put 18, 19, 20, and  
6 21 into the record.

7                   (Exhibit Numbers 18 through 21 admitted into  
8 the record.)

9                   **CHAIRMAN GRAHAM:** I would ask this witness to  
10 stay around just in case we can't get the answers we are  
11 looking for from Mr. Foster. That all being said, you  
12 can call your next witness.

13                   **MR. PERKO:** Thank you, Mr. Chairman.

14                   Progress Energy calls Thomas G. Foster.

15                                   **THOMAS G. FOSTER**

16 was called as a witness on behalf of Progress Energy  
17 Florida, and having been duly sworn, testified as follows:

18                                   **DIRECT EXAMINATION**

19 **BY MR. PERKO:**

20                   **Q.** Could you please introduce yourself to the  
21 Commission and state your business address for the  
22 record?

23                   **A.** Yes. Good morning, Commissioners.

24                   My name is Thomas Foster. My business address  
25 is 299 First Avenue North, St. Petersburg, Florida,

1 33701.

2 Q. Mr. Foster, have you been sworn?

3 A. Yes, I have.

4 Q. Mr. Foster, by whom are you employed and in  
5 what position?

6 A. I'm employed by Progress Energy as the  
7 Regulatory Planning Supervisor. These responsibilities  
8 include regulatory financial reports and analysis of  
9 state, federal, and local regulations and their impact  
10 on PEF. In this capacity I am also responsible for  
11 PEF's estimated/actual and projection filings in the  
12 environmental cost-recovery docket.

13 Q. Mr. Foster, did you submit prefiled testimony  
14 in this proceeding on August 1st and August 26th, 2011?

15 A. Yes.

16 Q. Did you also submit exhibits that have been  
17 marked as Exhibit Numbers 26 through 30 on Staff's  
18 Comprehensive Exhibit List?

19 A. Yes.

20 MR. PERKO: Mr. Chairman, earlier this morning  
21 I passed around to the Commissioners and the parties an  
22 exhibit, or a filing that I would like to mark as  
23 Exhibit Number 40 at your pleasure.

24 CHAIRMAN GRAHAM: The filing that you passed  
25 around, is it --

1           **MR. PERKO:** It's a notice of filing revised  
2 testimony and exhibit.

3           **CHAIRMAN GRAHAM:** Dated October 14th?

4           **MR. PERKO:** Yes, sir.

5           **CHAIRMAN GRAHAM:** Okay. We will mark that as  
6 Exhibit --

7           **MR. PERKO:** Forty, I believe.

8           **CHAIRMAN GRAHAM:** And do you have a short  
9 title for that?

10          **MR. PERKO:** Revisions to August 26th, 2011,  
11 prefiled testimony and exhibit.

12          **CHAIRMAN GRAHAM:** Okay. We will do that.

13                   (Exhibit Number 40 marked for identification.)

14 **BY MR. PERKO:**

15           **Q.** Mr. Foster, do you have a copy of what has  
16 been marked as Exhibit Number 40?

17           **A.** Yes.

18           **Q.** And could you identify what that document is?

19           **A.** These are revisions to my August 26th, 2011,  
20 testimony, and my Exhibit TGF Number 3. Specifically,  
21 Attachment A to this document provides revised schedules  
22 to be included in Exhibit TGF-3, and Attachment B  
23 provides some changes to my August 25, 2011, prefiled  
24 testimony.

25           **Q.** You said August 25. Would that be August 26?

1           A.    I'm sorry, yes, it would be.

2           Q.    And, Mr. Foster, what was it that prompted the  
3 revisions to your testimony and exhibit?

4           A.    These revisions are to reflect an agreement  
5 with staff to amortize the remaining NOx inventory  
6 balances over three years as opposed to one as we  
7 originally presented it. There were also some minor  
8 math errors in it that we corrected.

9           Q.    Do you have any additional revisions to your  
10 prefiled testimony?

11          A.    No.

12          Q.    Do you have any additional revisions to your  
13 exhibits?

14          A.    Yes, I do one small one on Page 42, 5P, Page  
15 24 of 40 to what was my Exhibit TGF-3.

16                **CHAIRMAN GRAHAM:** What was that page, again?

17                **THE WITNESS:** 24 of 40.

18                **MR. MOYLE:** August 1 or August 26th?

19                **THE WITNESS:** August 26th as revised  
20 October -- let me make sure I get the date -- 14th.

21                **BY MR. PERKO:**

22                Q.    And that's part of Attachment A to Exhibit  
23 Number 40, is that correct?

24                A.    Yes. And the third and fourth sentences of  
25 the paragraph that is labeled project accomplishments,

1 it refers to emission allowances issued under the acid  
2 rain program. It should say the Clean Air Interstate  
3 Rule program, or CAIR.

4 Q. Do you have any additional changes to your  
5 exhibits?

6 A. No.

7 Q. If I were to ask you the same questions in  
8 your prefiled testimony as revised by Exhibit Number 40  
9 today, would your answers be the same?

10 A. Yes.

11 MR. PERKO: At this time, Your Honor, Mr.  
12 Chairman, we would request that Mr. Foster's testimony  
13 be entered into the record as if read.

14 CHAIRMAN GRAHAM: We will enter Mr. Foster's  
15 prefiled testimony into the record as though read.  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

THOMAS G. FOSTER

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 110007-EI

AUGUST 1, 2011

**Q. Please state your name and business address.**

A. My name is Thomas G. Foster. My business address is 299 First Avenue North,  
St. Petersburg, FL 33701.

**Q. By whom are you employed and in what capacity?**

A. I am employed by Progress Energy Service Company, LLC as Supervisor of  
Regulatory Planning Florida.

**Q. What are your responsibilities in that position?**

A. I am responsible for regulatory planning and cost recovery for Progress  
Energy Florida, Inc. ("PEF"). These responsibilities include: regulatory  
financial reports; and analysis of state, federal and local regulations and  
their impact on PEF. In this capacity, I am also responsible for PEF's  
Estimated/Actual and Projection filings in the Environmental Cost  
Recovery Clause (ECRC).

1 **Q. Please describe your educational background and professional experience.**

2 A. I joined Progress Energy on October 31, 2005 as a Senior Financial analyst in  
3 the Regulatory group. In that capacity I supported the preparation of testimony  
4 and exhibits associated with various Dockets. In late 2008, I was promoted to  
5 Supervisor Regulatory Planning. Prior to working at Progress I was the  
6 Supervisor in the Fixed Asset group at Eckerd Drug. In this role I was  
7 responsible for ensuring proper accounting for all fixed assets as well as various  
8 other accounting responsibilities. I have 6 years of experience related to the  
9 operation and maintenance of power plants obtained while serving in the United  
10 States Navy as a Nuclear operator. I received a Bachelors of Science degree in  
11 Nuclear Engineering Technology from Thomas Edison State College. I received  
12 a Masters of Business Administration with a focus on finance from the  
13 University of South Florida and I am a Certified Public Accountant in the State  
14 of Florida.

15

16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is to present, for Commission review and  
18 approval, Progress Energy Florida's Estimated/Actual True-up costs associated  
19 with Environmental Compliance activities for the period January 2011 through  
20 December 2011.

21

22

23



1 **Q. Have you prepared or caused to be prepared under your direction,**  
2 **supervision or control any exhibits in this proceeding?**

3 A. Yes. I am sponsoring the following exhibits:

4 1. Exhibit No. \_\_TGF-1, which consists of PSC Forms 42-1E through 42-  
5 9E; and

6 2. Exhibit No. \_\_TGF-2, which provides details of capital projects by site.

7 These forms provide a summary and detail of the Estimated/Actual True-up  
8 O&M and Capital Environmental costs and revenue requirements for the period  
9 January 2011 through December 2011.

10

11 **Q. What is the Estimated/Actual True-up amount for which PEF is requesting**  
12 **recovery for the period of January 2011 through December 2011?**

13 A. The Estimated/Actual True-up amount for 2011 is an over-recovery, including  
14 interest, of \$2,552,337 as shown in Exhibit No. \_\_ (TGF-1), Form 42-1E, Line  
15 4. This amount will be added to the final true-up over-recovery of \$6,232,839  
16 for 2010 shown on Form 42-2E, Line 7a, resulting in a net over-recovery of  
17 \$8,785,176 as shown on Form 42-2E, Line 11. The detailed calculations  
18 supporting the estimated true-up for 2011 are contained in Forms 42-1E through  
19 42-8E.

20

21

1 **Q. Are any of the costs listed in Forms 42-1E through 42-8E attributable to**  
2 **Environmental Compliance projects that have not previously been**  
3 **approved by the Commission?**

4 A. No, with the exception of Project 16 the NPDES Program and Project 17 the  
5 MACT Program. PEF petitioned the Commission for approval of recovery of  
6 these costs on March 11, 2011 and May 24, 2011, respectively. These Programs  
7 are further discussed in the testimony of Ms. Patricia Q. West.

8  
9 **Q. What capital structure, components and cost rates did Progress Energy**  
10 **Florida rely upon to calculate the revenue requirement rate of return for**  
11 **the period January 2011 through December 2011.**

12 A. The capital structure, components and cost rates relied upon to calculate the  
13 revenue requirement rate of return for the period January 2011 through  
14 December 2011 are shown on page 42-9E. Page 42-9E includes the derivation of  
15 debt and equity components used in the Return on Average Net Investment,  
16 lines 7 (a) and (b), on Form 42-8E included in Exhibit TGF-1. The schedule  
17 also cites all sources and includes the rationale for using the particular capital  
18 structure and cost rates.

19  
20 **Q. How do the Estimated/Actual O&M expenditures for January 2011**  
21 **through December 2011 compare with original projections?**

22 A. Form 42-4E shows that total O&M project costs are projected to be \$5,044,609  
23 or 10% higher than originally projected. Following are variance explanations

1 for those O&M projects with significant variances. Individual project variances  
2 are provided on Form 42-4E.

3

4 **O&M Project Variances:**

5 **1. Transmission and Distribution Substation Environmental Investigation,**  
6 **Remediation, and Pollution Prevention (Project #1) - O&M**

7 O&M project expenditures for the Substation System Program are estimated  
8 to be \$5,193,418 or 169% higher than originally projected. As discussed in  
9 the testimony of Mr. Corey Zeigler, this variance is primarily attributable to  
10 higher amounts of subsurface contamination encountered at the remediation  
11 sites.

12

13 **2. Distribution System Environmental Investigation, Remediation, and**  
14 **Pollution Prevention (Project #2) – O&M**

15 PEF is projecting O&M expenditures to be \$653,466 or 9% lower for this  
16 program than originally projected. This variance is discussed in the  
17 testimony of Mr. Corey Zeigler.

18

19 **3. Emissions Allowances (Project #5) – O&M**

20 SO<sub>2</sub> and NO<sub>x</sub> expenses are estimated to be \$292,628 or 5% lower than  
21 originally projected. This variance is primarily driven by lower than  
22 anticipated NO<sub>x</sub> allowance prices partially offset by higher than projected  
23 NO<sub>x</sub> allowance usage.

1           **4. CAIR Crystal River- Energy (Project #7.4) – O&M**

2           Total O&M project costs are estimated to be \$81,603 or less than 1% higher  
3           than originally projected. As further discussed in the testimony of Mr.  
4           David Sorrick, this variance is primarily being driven by a \$944,129  
5           decrease in CAIR Project 7.4 – Energy and a \$914,325 increase in CAIR  
6           Project 7.4 – Base.

7

8   **Q.   How do the Estimated/Actual Capital recoverable investments for January**  
9   **2011 through December 2011 compare with PEF's original projections?**

10   **A.**   Total recoverable capital investments itemized on Form 42-6E, are projected to  
11   be \$4,126,936 or 2% lower than originally projected. Below are variance  
12   explanations for those approved Capital Investment Projects with significant  
13   variances. Individual project variances are provided on Form 42-6E. Return on  
14   Capital Investment, Depreciation and Taxes for each project for the  
15   Estimated/Actual period are provided on Form 42-8E, pages 1 through 15.

16

17   **Capital Investment Project Variances:**

18       **1. CAIR (Project #7.x) – Capital**

19       PEF is projecting capital investment activities to be \$4,327,536 or 2% lower  
20       for this program than originally projected. This variance is primarily  
21       attributable to lower than projected property taxes.

22

23

1           **2. Thermal Discharge Permanent Cooling Tower (Project 11.1) – Capital**

2           As discussed in Ms. West's testimony, expenditures for this project are  
3           expected to be lower than originally anticipated. This project is currently on  
4           hold due to pending environmental regulations and potential impacts they  
5           may have on the new tower. The 2011 actual estimated spend is based on  
6           PEF's estimate prior to discovery of the additional delamination at CR3 in  
7           March. These estimates may be impacted by both the final form of new  
8           environmental regulations and the repair plan and timing of the CR3  
9           delamination. There are no revenue requirements being driven by items in  
10          CWIP for this project included in this filing.

11  
12          **Cross-State Air Pollution Rule (CSAPR)**

13          **Q. What effect has the new CSAPR had on the 2011 Actual Estimated costs?**

14          A. At this point it has had almost no effect. As further explained in the testimony  
15          of Ms. West, the CSAPR comes into effect in 2012. The most apparent impact  
16          will be to the SO<sub>2</sub> and NO<sub>x</sub> allowance programs. In 2011 there will be  
17          effectively no impact on the number of allowances PEF uses to comply with  
18          CAIR. As written, any NO<sub>x</sub> allowances not used by the end of 2011 are not  
19          expected to be useful for compliance with the new Rule. As such, PEF has  
20          reflected movement of these capital investments from the NO<sub>x</sub> allowance  
21          inventory line of schedule 42-8E page 5 to a line showing these investments as a  
22          regulatory asset to be recovered in rates in 2012. This can be seen in lines 1c  
23          and 1d of the above mentioned schedule. As with other EPA Rules in the past,

1           there is a possibility that this Rule will be the subject of a legal challenge. PEF  
2           cannot predict what challenges may be made to this Rule or the outcomes of any  
3           such challenge at this time.

4

5   **Q.    Does this conclude your testimony?**

6   **A.    Yes, it does.**

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
2                   DIRECT TESTIMONY OF  
3                   THOMAS G. FOSTER  
4                   ON BEHALF OF  
5                   PROGRESS ENERGY FLORIDA  
6                   DOCKET NO. 110007-EI  
7                   AUGUST 26, 2011

8

9   **Q.    Please state your name and business address.**

10   A.    My name is Thomas G. Foster. My business address is 299 First Avenue North,  
11         St. Petersburg, FL 33701.

12

13   **Q.    By whom are you employed and in what capacity?**

14   A.    I am employed by Progress Energy Service Company, LLC, as Supervisor of  
15         Regulatory Planning Florida.

16

17   **Q.    Have you previously filed testimony before this Commission in this  
18         proceeding?**

19   A.    Yes.

20

21   **Q.    Have your duties and responsibilities remained the same since you last filed  
22         testimony in this proceeding?**

23   A.    Yes.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to present, for Commission review and  
3 approval, PEF's calculation of revenue requirements and ECRC factors for  
4 customer billings for the period January 2012 through December 2012. My  
5 testimony addresses capital and operating and maintenance ("O&M") expenses  
6 associated with PEF's environmental compliance activities for the year 2012 and  
7 actions to date related to its emission allowance procurement strategy as part of  
8 its Integrated Clean Air Compliance Plan for complying with the Clean Air  
9 Interstate Rule (CAIR) which is being replaced by the Cross-State Air Pollution  
10 Rule (CSAPR) and related regulatory requirements.

11

12 **Q. Have you prepared or caused to be prepared under your direction,  
13 supervision or control any exhibits in this proceeding?**

14 A. Yes. I am sponsoring the following exhibits:

- 15 1. Exhibit No. \_\_ (TGF-3), which consists of PSC Forms 42-1P through 42-  
16 8P;
- 17 2. Exhibit No. \_\_ (TGF-4), which provides details of capital projects by site  
18 and;
- 19 3. Exhibit No. \_\_ (TGF-5), which is a revised schedule 42-8E page 15.

20 The following individuals will also be co-sponsors of Forms 42-5P pages 1  
21 through 18 as indicated in their testimony:

- 22 • Mr. Zeigler will co-sponsor Forms 42-5P pages 1, 2 and 9;



- 1                   • Ms. West will co-sponsor Forms 42-5P pages 3, 4, 6, 8, 10, 11, 12, 13  
2                   14, 15, 16, 17 and 18; and  
3                   • Mr. Sorricks will co-sponsor Forms 42-5P page 7.

4  
5   **Q.    What is the total recoverable revenue requirement relating to the**  
6   **projection period January 2012 through December 2012?**

7   A.    The total recoverable revenue requirement including true-up amounts and  
8   revenue taxes is approximately \$212.5 million as shown on Form 42-1P, Line 5  
9   of Exhibit No. \_\_ (TGF-3).

10  
11   **Q.    What is the total true-up to be applied in the period January 2012 through**  
12   **December 2012?**

13   A.    The total true-up applicable for this period is an over-recovery of approximately  
14   \$8.8 million. This consists of the final true-up of over-recovery of  
15   approximately \$6.2 million for the period from January 2010 through December  
16   2010 and an estimated true-up over-recovery of approximately \$2.6 million for  
17   the current period of January 2011 through December 2011. The detailed  
18   calculation supporting the 2011 estimated true-up was provided on Forms 42-1E  
19   through 42-8E of Exhibit No. \_\_ (TGF-1) filed with the Commission on August  
20   1, 2011.

21

1 **Q. Are all the costs listed in Forms 42-1P through 42-7P attributable to**  
2 **Environmental Compliance projects previously approved by the**  
3 **Commission?**

4 A. The following projects were previously approved by the Commission:

5 The Substation and Distribution System O&M programs (Nos. 1 & 2) were  
6 previously approved by the Commission in Order No. PSC-02-1735-FOF-EI.

7

8 The Pipeline Integrity Management Program (No. 3) and the Above Ground  
9 Tank Secondary Containment Program (No. 4) were previously approved in  
10 Order No. PSC-03-1348-FOF-EI.

11

12 The recovery of sulfur dioxide (SO<sub>2</sub>) Emission Allowances (No. 5) was  
13 previously approved in Order No. PSC-95-0450-FOF-EI, however, the costs  
14 were moved to the ECRC Docket from the Fuel Docket beginning January 1,  
15 2004 at the request of Staff to be consistent with the other Florida investor  
16 owned utilities. On July 7, 2011, the EPA issued the Cross-State Air Pollution  
17 Rule (CSAPR) as the final version of the proposed Clean Air Transport Rule.

18 The CSAPR replaces CAIR effective January 1, 2012. It contains new  
19 emissions trading programs for nitrogen oxide (NO<sub>x</sub>) and SO<sub>2</sub> emissions as well  
20 as more stringent emissions targets. The CSAPR establishes new NO<sub>x</sub> annual  
21 and seasonal ozone programs and a new SO<sub>2</sub> trading program (Florida is subject  
22 only to the NO<sub>x</sub> seasonal program). NO<sub>x</sub> and SO<sub>2</sub> emission allowances under  
23 the current CAIR cannot be used to satisfy the new CSAPR programs effective

1 January 1, 2012. The impact of the CSAPR on 2012 estimated ECRC costs is  
2 discussed below.

3

4 The Phase II Cooling Water Intake 316(b) Program (No. 6) was previously  
5 approved in Order No. PSC-04-0990-PAA-EI.

6

7 PEF's Integrated Clean Air Compliance Plan (Program No.7), which the  
8 Commission approved as a prudent and reasonable means of complying with  
9 CAIR and related regulatory requirements in Order No. PSC-07-0922-FOF-EI.

10

11 The Arsenic Groundwater Standard Program (No. 8), the Sea Turtle Lighting  
12 Program (No. 9), and the Underground Storage Tanks Program (No. 10) were  
13 previously approved in Order No. PSC-05-1251-FOF-EI.

14

15 The Modular Cooling Tower Program (No. 11) was previously approved by the  
16 Commission in Order No. PSC-07-0722-FOF-EI.

17

18 The Crystal River Thermal Discharge Compliance Project (No. 11.1) and the  
19 Greenhouse Gas Inventory and Reporting Project (No. 12) were previously  
20 approved in Order No. PSC-08-0775-FOF-EI.

21

22 The Total Maximum Daily Loads for Mercury Project (No. 13) was previously  
23 approved in Order No. PSC-09-0759-FOF-EI.

1 The Hazardous Air Pollutants (HAPs) ICR Project (No. 14) was previously  
2 approved in Order No. PSC-10-0099-PAA-EI.

3

4 Earlier this year, PEF submitted petitions in this docket for Commission  
5 approval to recover costs associated with new requirements of National  
6 Pollutant Discharge Elimination System (NPDES) (No. 16) renewal permits and  
7 costs associated with EPA's proposed Maximum Achievable Control  
8 Technology (MACT) (No. 17) standard for coal-fired power plants. These  
9 programs are further discussed in Witness West's testimony.

10

11 **Q. What impact does the Thermal Discharge Permanent Cooling Tower (No.**  
12 **11.1) have on 2012 estimated costs?**

13 A. As discussed in Witness West's testimony, these estimates will be impacted by  
14 both the final form of new environmental regulations, and the repair plan and  
15 timing of completing the Crystal River 3 delamination work. There are no  
16 revenue requirements being driven by items in CWIP for this project included in  
17 this filing.

18

19 **Q. What is Exhibit TGF-5 and why was it necessary?**

20 A. Exhibit No. \_\_ TGF-5 is a revised Schedule 42-8E to remove any capital spend  
21 estimates out past the actual period of June 2011. As stated above, these cost  
22 estimates will be impacted by both the final form of new environmental  
23 regulations, and the repair plan and timing of completing the Crystal River 3

1 delamination work. Accordingly, these costs cannot be accurately predicted at  
2 this time. For this reason, PEF is not presenting estimated capital spend beyond  
3 June 2011.

4 **Q. What effect does the new Cross-State Air Pollution Rule (CSAPR) have on**  
5 **2012 estimated costs?**

6 A. As further explained in Witness West's testimony, the CSAPR comes into effect  
7 in 2012. The most significant impact is to the CAIR NOx allowance program.  
8 As written, any NOx allowance not used by the end of 2011 is not expected to  
9 be useful for compliance with the new Rule. As such, PEF has reflected these  
10 capital investments on line 1d of Schedule 42-4P page 5 to be recovered in rates  
11 over the course of 2012. The balance of investment in this line is amortized  
12 down equally over the course of 2012 until completely recovered at year end.  
13 This can be seen in lines 1d and 6c of the above mentioned schedule. As with  
14 other EPA Rules in the past, there is a possibility that this Rule will be the  
15 subject of a legal challenge. PEF cannot predict what challenges may be made  
16 to this Rule or the outcome of any such challenges at this time. The impact this  
17 has on 2012 costs is instead of expensing some portion of the investment  
18 balance, the full balance of approximately \$22.5 million is amortized.

19  
20 **Q. Have you prepared schedules showing the calculation of the recoverable**  
21 **O&M project costs for 2012?**

1 A. Yes. Form 42-2P contained in Exhibit No. \_\_ (TGF-3) summarizes the  
2 recoverable jurisdictional O&M cost estimates for these projects in the amount  
3 of approximately \$58.5 million.

4 **Q. Have you prepared schedules showing the calculation of the recoverable**  
5 **capital project costs for 2012?**

6 A. Yes. Form 42-3P contained in Exhibit No. \_\_ (TGF-3) summarizes the cost  
7 estimates projected for these projects. Form 42-4P, pages 1 through 16, shows  
8 the calculations of these costs that result in recoverable jurisdictional capital  
9 costs of approximately \$162.7 million.

10  
11 **Q. Have you prepared schedules providing the description and progress**  
12 **reports for all environmental compliance activities and projects?**

13 A. Yes. Form 42-5P, pages 1 through 18, contained in Exhibit No. \_\_ (TGF-3)  
14 provide each project description and progress, as well as projected recoverable  
15 cost estimates.

16  
17 **Q. What is the total projected jurisdictional costs for environmental**  
18 **compliance activities in the year 2012?**

19 A. The total jurisdictional capital and O&M costs of approximately \$221.2 million  
20 to be recovered through the ECRC, are calculated on Form 42-1P, Line 1c of  
21 Exhibit No. \_\_ (TGF-3).

22

23 **Q. Please describe how the proposed ECRC factors were developed.**

1 A. The ECRC factors were calculated as shown on Forms 42-6P and 42-7P contained  
2 in Exhibit No. \_\_ (TGF-3). The demand component of class allocation factors  
3 were calculated by determining the percentage each rate class contributes to the  
4 monthly system peaks and then adjusted for losses for each rate class. This  
5 information was obtained from PEF's July 2009 load research study. The energy  
6 allocation factors were calculated by determining the percentage each rate class  
7 contributes to total kilowatt-hour sales and then adjusted for losses for each rate  
8 class. Form 42-7P presents the calculation of the proposed ECRC billing factors  
9 by rate class.

10

11 **Q. What are PEF's proposed 2012 ECRC billing factors by the various rate**  
12 **classes and delivery voltages?**

13 A. The computation of PEF's proposed ECRC factors for 2012 customer billings is  
14 shown on Form 42-7P, contained in Exhibit No. \_\_ (TGF-3). In summary, these  
15 factors are as follows:

16

17

18

19

20

21

22

23

24

25

1

RATE CLASS	ECRC FACTORS 12CP & 1/13AD
Residential	0.583 cents/kWh
General Service Non-Demand @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.577 cents/kWh 0.571 cents/kWh 0.565 cents/kWh
General Service 100% Load Factor	0.570 cents/kWh
General Service Demand @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.572 cents/kWh 0.566 cents/kWh 0.561 cents/kWh
Curtailable @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.565 cents/kWh 0.559 cents/kWh 0.554 cents/kWh
Interruptible @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.557 cents/kWh 0.551 cents/kWh 0.546 cents/kWh
Lighting	0.566 cents/kWh

2



1 **Q. When is PEF requesting that the proposed ECRC billing factors be made**  
2 **effective?**

3 A. PEF is requesting that its proposed ECRC billing factors be made effective with  
4 the first bill group for January 2012 and continue through the last bill group for  
5 December 2012.

6

7 **Q. Please summarize your testimony.**

8 A. My testimony supports the approval of an average environmental billing factor of  
9 0.577 cents per kWh which includes projected capital and O&M revenue  
10 requirements of approximately \$221.2 million associated with a total of 17  
11 environmental projects and a true-up over-recovery provision of approximately  
12 \$8.8 million. My testimony also demonstrates that the projected environmental  
13 expenditures for 2012 are appropriate for recovery through the ECRC.

14

15 **Q. Does this conclude your testimony?**

16 A. Yes.

1           **MR. PERKO:** And we tender the witness for  
2 cross-examination.

3           **CHAIRMAN GRAHAM:** Mr. Foster, welcome.

4           **THE WITNESS:** Thank you, sir.

5           **CHAIRMAN GRAHAM:** Intervenors, any questions  
6 for this witness?

7           **MR. MOYLE:** I have some.

8                                   CROSS EXAMINATION

9           **BY MR. MOYLE:**

10           **Q.** Mr. Foster, you sponsored an interrogatory  
11 response, I think FIPUG asked the question, Third Set of  
12 Interrogatories, Number 6. I believe staff just passed  
13 that out.

14           **A.** Yes, sir, I have it.

15           **MR. MOYLE:** I have extra copies. Does the  
16 Commission have that document?

17           **CHAIRMAN GRAHAM:** Yes. Do we need an exhibit  
18 number for this?

19           **MR. MOYLE:** Yes.

20           **CHAIRMAN GRAHAM:** Let's give it Exhibit Number  
21 41.

22           **MR. MOYLE:** I was going to put it in, but  
23 staff can put it in. It doesn't really matter.

24           **MS. BROWN:** Be my guest.

25           **CHAIRMAN GRAHAM:** What is our description of

1 this?

2 **MR. MOYLE:** PEF Revised Response to FIPUG  
3 Interrogatory Number 6 (Third Set).

4 **CHAIRMAN GRAHAM:** Okay.

5 (Exhibit Number 41 marked for identification.)

6 **BY MR. MOYLE:**

7 Q. And, Mr. Foster, you signed the affidavit that  
8 is attached to this document, is that right?

9 A. I believe that's right, yes.

10 Q. And you answered -- you were asked the  
11 question about environmental costs related to the  
12 Crystal River 3 outage. It's correct that you made no  
13 allowance purchases associated with the Crystal River 3  
14 outage, is that right?

15 A. It is correct that we made no purchases due to  
16 the Crystal River 3 outage of allowances.

17 Q. And it's also correct that you had available  
18 allowances at a zero cost basis that could have been  
19 used to make up the difference with respect to Crystal  
20 River 3 operating, or Crystal River 3 not operating,  
21 isn't that correct?

22 A. No, I wouldn't agree with the way you phrased  
23 that.

24 Q. All right. We went through this with earlier  
25 witnesses, but you had allowances available at zero cost

1 basis, correct, for NOx and SOx?

2 A. We had allowances issued to us by the EPA, and  
3 they are issued at zero cost to us. When you start  
4 talking about cost basis, I start thinking about how are  
5 these expensed under GAAP. And I think that Mr. Garrett  
6 was more eloquent than I could ever be. We used an  
7 average cost methodology for quite awhile.

8 Q. Right. So I guess if you used the FIFO  
9 approach, they have a zero cost basis, and they would  
10 be -- you had sufficient inventory at zero to allocate  
11 to offset for the difference, correct, under a FIFO  
12 approach?

13 A. Well, I would have to assume that the first  
14 allowances we got were given to us at zero cost basis,  
15 which I'm not sure I can do as I sit here today. But if  
16 you make that assumption, and there was an accounting  
17 rule where you are free to change your accounting  
18 methodologies whenever you want because you like the  
19 answer better, then I could agree that in that world,  
20 yes.

21 Q. You're a CPA, aren't you?

22 A. Yes, sir.

23 Q. Do you know, as a matter of practice, do CPAs  
24 give advice to clients about accounting treatment that  
25 may be beneficial to their clients?

1           A.    I'm sure they do.

2           Q.    And isn't it true that Progress Energy has  
3 used accounting -- that they don't have a static set of  
4 accounting treatments, that they oftentimes will suggest  
5 a change in accounting treatment for certain things,  
6 isn't that true?

7           A.    There are times when -- not Progress, but  
8 every company would do that. And I would have to say  
9 that with regards to what is allowable as far as making  
10 a change under inventory accounting, probably Mr.  
11 Garrett was a better witness for that as our controller.  
12 But my education, you know, and all of my experience  
13 just saying today I'd like to change it because I would  
14 get a better answer for a specific incremental set of  
15 allowances would not be sufficient under GAAP to change  
16 your accounting method.

17          Q.    Isn't it true that your company has asked this  
18 Commission to change its accounting treatment in the  
19 past of certain regulatory assets?

20          A.    The Commission has, yes.

21          Q.    And with respect to -- do you have information  
22 with respect to the allowances and which was the first  
23 in the allowances provided by the government at no  
24 charge or allowances that you may have purchased?

25          A.    As I sit here today, I don't have all that

1 information, the reconciliation of every allowance we  
2 have ever had and whether it was either issued or  
3 purchased to us. I mean, I'm sure that's something  
4 that's available if it were deemed necessary.

5 Q. So with respect to the government program that  
6 put in place, wouldn't you assume that a government  
7 program that would be put in place if it was going to  
8 provide allowances it would provide allowances at the  
9 start of the program?

10 A. I think they issue them -- I don't necessarily  
11 know that I would agree with that, and I just don't know  
12 exactly how they do it, but I know they issue every year  
13 allowances.

14 Q. So at the end of the day, I guess you are now  
15 seeking to have all of these allowances treated as a  
16 regulatory asset, is that right?

17 A. I believe there was an issue that looked at  
18 the allowances that the Cross-State Air Pollution Rule  
19 basically made not usable anymore that were useful under  
20 the clean air program, or Clean Air Interstate Rule.  
21 And my understanding is that it has been approved, that  
22 it's going to be a regulatory asset and amortized over a  
23 three-year period.

24 Q. So at the end of the day you ended up with  
25 more allowances than it turns out you needed, is that

1 right?

2 A. That's accurate, yes. We had an allowance  
3 inventory that when they changed the program, you know,  
4 kind of mid-stream we hadn't used them all yet. That's  
5 an accurate statement.

6 Q. And do you know how you're accounting for that  
7 with respect to the FIFO, the market rate, how you're  
8 accounting for the value of those assets with respect to  
9 how much is being recovered as a regulatory asset?

10 A. In accordance with the stipulation, we're  
11 recovering it over a three-year period straight line.

12 Q. Would it be an inaccurate statement, based on  
13 your being a CPA in the state of Florida, to say that  
14 the ratepayers and the consumers in Florida are being  
15 charged monies for allowances that Progress Energy did  
16 not pay any money for as it relates to allowances  
17 provided by the EPA, if you used the FIFO accounting  
18 method?

19 A. No.

20 Q. Why not?

21 A. We're not asking ratepayers to pay any money  
22 over and above what the purchase price was for  
23 allowances.

24 Q. Again, based on your average market approach,  
25 correct?

1           A.    Based on the approved methodology for  
2 expensing allowances.

3           Q.    Okay.  And I asked you that question asking  
4 you to assume that FIFO was being used.  So if you  
5 assume FIFO Was being used, can you answer the question  
6 that I asked you?

7           A.    Maybe restate it.  I'm not sure I get your  
8 question.

9           Q.    Assume FIFO is being used.  Isn't it true that  
10 Progress Energy with respect to NOx and SOx allowances  
11 that they are seeking to recover for not having Crystal  
12 River 3 operational is seeking to recover monies from  
13 ratepayers for NOx and SOx allowances that they paid  
14 nothing for?

15          A.    No, I can't agree with that.

16          Q.    Why not?

17          A.    I guess fundamentally it's flawed.  There is  
18 no FIFO methodology being used.  There is no FIFO  
19 methodology that has been approved year after year after  
20 year.  So fundamentally it's a flawed question.  I mean,  
21 I guess if I'm being asked to depart from reality and  
22 imagine a situation in which we were expensing  
23 allowances issued by the EPA at zero cost and assigning  
24 a cost to them -- I mean, if you're saying that by using  
25 the average cost methodology some allowances by the very



1 nature of it being averaged are going to be expensed at  
2 higher than what they went into the inventory at and  
3 some lower, that is exactly what average cost does. And  
4 I guess without -- I mean, I guess it could go both ways  
5 in that instance. So I can't, without going back and  
6 looking at a very specific scenario, sit here today and  
7 tell you that under a FIFO scenario customers -- and I  
8 struggle to even opine on it, since it's not a factual  
9 scenario.

10 Q. In accounting school -- I'm sorry. Did they  
11 describe FIFO as departing from reality?

12 A. Say again.

13 Q. In accounting school, did they describe FIFO  
14 as departing from reality?

15 A. No, sir.

16 Q. So I will try it one more time. If you assume  
17 FIFO is being used, is it an accurate to say that  
18 Progress Energy is looking to charge ratepayers for NOx  
19 and SOx allowances because Crystal River 3 was not  
20 running in which they had a zero cost basis?

21 A. No, I can't agree with that statement.

22 MR. MOYLE: That's all I have.

23 CHAIRMAN GRAHAM: Staff.

24 CROSS EXAMINATION

25

1 BY MS. BROWN:

2 Q. Good morning, Mr. Foster.

3 A. Good morning.

4 Q. We just have a few questions for you.

5 What are the final environmental cost true-up  
6 amounts excluding the environmental cost portion related  
7 to the purchased replacement power due to the Crystal  
8 River 3 outage for 2010?

9 A. Are you looking at Issue 1?

10 Q. Yes.

11 A. Okay. And I think with regard to 2010, maybe  
12 if I can clarify, if you assume that -- in our response  
13 to FIPUG's Sixth Interrogatory, we quantified a number,  
14 some numbers for '10, '11, and '12. And these are what  
15 I think are being referred to as the cost of allowances  
16 associated with the CR-3 outage. So if you accept -- I  
17 want to make it clear that none of these -- there were  
18 no additional purchases. These were costs that  
19 basically got expensed because inventory was used sooner  
20 than it otherwise would have because CR-3 was down. But  
21 the outage itself did not cause any additional  
22 purchases. With that being said, and, I'm sorry --

23 Q. No, that's fine.

24 A. -- the amount would be the 6,232,839 that is  
25 identified in Issue 1 under our position less the

1 2,453,542.

2 Q. All right. I have the same questions to ask  
3 you for Issue 2, 3, 4, and 7, as well. We are looking  
4 for the final -- the estimated environmental  
5 cost-recovery true-up amounts for January 2011 through  
6 December 2011, excluding the environmental cost purchase  
7 portion related to the purchased replacement power costs  
8 due to Crystal River?

9 A. Sure. And I guess I should have, on the last  
10 one, thrown in the same caveat Mr. Garrett put in that  
11 there would be some interest at the commercial paper  
12 rate, less than one percent is my understanding today  
13 that you would have to factor in. But directionally and  
14 generally speaking, it would be the 2,552,337 plus the  
15 1,191,999.

16 Q. All right. Can you do the math for me on  
17 that, add that up? And I think Mr. Garrett did the math  
18 for Issue 1, which was 8,686,381 plus any interest.

19 MR. MOYLE: Do you need a calculator?

20 THE WITNESS: If you have one, that would be  
21 fantastic. I'm having a flashback to the August  
22 hearings when Mr. Brew asked me a question. (Pause.)

23 So for 2011 I'm getting 3,744,336 plus some  
24 interest.

25 MS. BROWN: All right. Thank you.

1 BY MS. BROWN:

2 Q. Now, if we could move on. I have the same  
3 question for Issue 3. The projected environmental  
4 cost-recovery amounts for the period January 2012  
5 through December 2012. And let me also mention that  
6 that would be a 3,744,000 plus change overrecovery,  
7 correct?

8 A. 3,744,336.

9 Q. Overrecovery?

10 A. Yes, ma'am.

11 Q. Now on to the projected amounts.

12 A. Okay. If you would give me just one second.  
13 My fingers are too big for these little buttons.

14 So if you look at our position in Issue 3, it  
15 is 207,302,671 currently. It would change to  
16 208,259,801.

17 Q. And that's factoring in the 2012 --

18 A. 957,130?

19 Q. Yes, 957,130?

20 A. Yes, ma'am.

21 Q. Okay. And Issue 4 is what are the  
22 environmental cost-recovery amounts including true-up  
23 amounts for the period January 2012 through  
24 December 2012. Can you do that same calculation for me?

25 A. Yes. It just may take a second.

1 Q. Sure, that's fine.

2 A. I didn't jot the 2010 number down. I'm almost  
3 there. I think I made a mistake here. I don't want to  
4 give you -- I'm getting 195,972,017. So 195 million.

5 You're asking about Issue 4, which is  
6 currently 198,660,428, and it would be the \$195,972,017.  
7 And that's subject to some minor interest.

8 Q. All right. Thank you.

9 A. Sorry it took so long.

10 Q. No, that's fine. Thank you for doing it.

11 Issue 7 is the appropriate environmental  
12 cost-recovery factors for the period January 2012  
13 through December 2012. I don't know that you can make  
14 this calculation while we all watch you here today. I'd  
15 like to have that calculation made in the same way.  
16 Perhaps we could have a late-filed exhibit to reflect  
17 that.

18 A. I imagine we can.

19 **CHAIRMAN GRAHAM:** I guess I have a question.  
20 Why is it that we need this witness to file that  
21 calculation? Is that something that staff cannot do?

22 **MS. BROWN:** We can do it. We often like to  
23 have the company provide the numbers for us, because  
24 then it's their evidence. But we can do it, if you  
25 don't want that.

1           **CHAIRMAN GRAHAM:** Well, I mean, I don't know  
2 if it needs to be an exhibit. You can check the number  
3 that they give you versus the number that you calculate.

4           **MS. BROWN:** We need the factor with the  
5 calculations removing the purchase power costs.

6           **CHAIRMAN GRAHAM:** All right.

7           **MR. MOYLE:** If what I understand is being  
8 asked is simply a calculation backing out the Crystal  
9 River 3 related issues, and that's it, we don't have any  
10 objection to that.

11          **CHAIRMAN GRAHAM:** Okay. We will put this down  
12 as a late-filed exhibit.

13          **THE WITNESS:** Can I just ask for a  
14 clarification, sir?

15          **CHAIRMAN GRAHAM:** Sure.

16          **THE WITNESS:** From an administrative ease  
17 standpoint, and recognizing that we said that with some  
18 interest, it would be much easier to just drop the total  
19 amount out of the 2011 projection. But I guess I just  
20 want to make sure whether you are contemplating that we  
21 need to go back and redo all the 2010 calculations, 2011  
22 calculations, and 2012, or can we do it in an  
23 administratively efficient way and, say, pull out  
24 basically this amount that was in the FIPUG response to  
25 2012 and --

1           **MS. BROWN:** If you are comfortable that that  
2 will give us an accurate calculation of the factor  
3 without the Crystal River outage amounts, that would be  
4 fine with us.

5           **THE WITNESS:** Yes, I think that would be most  
6 efficient way to do it.

7           **CHAIRMAN GRAHAM:** Okay.

8           **THE WITNESS:** Thank you.

9           **MS. BROWN:** Yes. Commissioner, that would be  
10 Late-filed Exhibit 42, and a short title would be ECRC  
11 factors without Crystal River costs, or Crystal River  
12 purchased power costs.

13          **THE WITNESS:** I wouldn't say purchased power.

14          **MS. BROWN:** Okay.

15          **CHAIRMAN GRAHAM:** Without Crystal River costs.

16          **THE WITNESS:** Replacement power would be a  
17 more --

18          **MS. BROWN:** Yes, that's fine.

19          **MR. PERKO:** Mr. Chairman, just to preserve, we  
20 would like to offer an objection to that exhibit to the  
21 extent that we don't believe it's appropriate to adjust  
22 the factors. I just want to be on the record, but we  
23 will provide that information.

24          **CHAIRMAN GRAHAM:** Sure.

25                 (Late-filed Exhibit Number 42 marked for

1 identification.)

2 **CHAIRMAN GRAHAM:** Staff.

3 **MS. BROWN:** We have no further questions.

4 **CHAIRMAN GRAHAM:** Commissioners, any questions  
5 of this witness?

6 Seeing none. Redirect.

7 **MR. PERKO:** No redirect, sir.

8 **CHAIRMAN GRAHAM:** Okay. We have got some  
9 exhibits to put on the record.

10 **MR. PERKO:** Yes, Mr. Chairman. Progress  
11 Energy would ask that Exhibit Numbers 26 through 30 and  
12 Exhibit Number 40 be admitted into the record.

13 **CHAIRMAN GRAHAM:** We have got 26, 27, 28, 29,  
14 30, and 40 will be entered into the record.

15 (Exhibit Numbers 26 through 30, and Exhibit  
16 Number 40 admitted into the record.)

17 **CHAIRMAN GRAHAM:** Mr. Moyle.

18 **MR. MOYLE:** We would move 41 in.

19 **CHAIRMAN GRAHAM:** And staff wants to move 42  
20 in?

21 **MS. BROWN:** Yes, Mr. Chairman.

22 (Exhibit Numbers 41 and 42 admitted into the  
23 record.)

24 **CHAIRMAN GRAHAM:** And we have already moved 38  
25 and 39 in earlier, is that correct?



1           **MS. BROWN:** Yes, Mr. Chairman.

2           **CHAIRMAN GRAHAM:** All right. I guess the  
3 question I have is did you get the answers from  
4 Mr. Foster that you were looking for from Ms. West?

5           **MS. BROWN:** Yes.

6           **CHAIRMAN GRAHAM:** Okay. Well, then we can  
7 excuse both Mr. Foster and Ms. West.

8           Thank you, sir.

9           **THE WITNESS:** Thank you.

10          **CHAIRMAN GRAHAM:** All right. We are done with  
11 the witnesses.

12          Staff, is there anything else?

13          **MS. BROWN:** It's my understanding that the  
14 parties wish to brief this Issue 10G, and we have  
15 established the same briefing schedule as we have in 01.

16          The briefs will be due November 8th for staff  
17 to file its recommendation on November 15th at 9:00  
18 o'clock in the morning, and the Commission would address  
19 the recommendation at its November 22nd agenda  
20 conference.

21          **CHAIRMAN GRAHAM:** Once again, we need to make  
22 sure that we are clear that when we say November 8th, we  
23 mean the end of the day on November 8th.

24          **MS. BROWN:** Yes.

25          **CHAIRMAN GRAHAM:** My opinion is 5:00 p.m.

1 Okay.

2 Any other questions or concerns from any of  
3 the parties?

4 **MS. BROWN:** One more. The final order will be  
5 issued by December 1st.

6 **CHAIRMAN GRAHAM:** Yes, ma'am. That all being  
7 said, this docket is adjourned.

8 I want to thank everybody for all the time  
9 that went into this and for your patience. Sometimes  
10 it's not easy putting an engineer back here making him  
11 act like he's a lawyer or a judge, but I think we got  
12 through it. And I hope y'all travel safely.

13 Thank you very much for your time.

14 (The hearing concluded at 11:47 a.m.)

15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STATE OF FLORIDA        )  
                                  :  
                                  :        CERTIFICATE OF REPORTER  
COUNTY OF LEON        )

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 3rd day of November, 2011.



\_\_\_\_\_  
JANE FAUROT, RPR  
Official FPSC Hearings Reporter  
(850) 413-6732